

# SEC Absolves Invesco of Market-Timing Measures

Ignites

By Peter Ortiz July 15, 2011

The SEC has lifted some of the compliance requirements put upon **Invesco** as a result of its involvement in the market-timing scandal.

The Securities and Exchange Commission accepted an amended order of settlement from Invesco that modifies the Oct. 8, 2004, order against Invesco Funds Group, AIM Advisors, and AIM Distributors (AIM merged with Invesco in 2009). The order lifts the requirement that Invesco bring in an outside party biannually to conduct compliance reviews, maintain an internal compliance controls committee and conduct shareholder elections of the board of trustees once every five years.

Laura Pavlenko Lutton, editorial director of fund research at **Morningstar**, says such compliance requirements were common for funds involved in market timing. Morningstar evaluates regulatory history as part of its stewardship grade, but the market-timing funds have made corrections, she notes.

“I think this aspect of the settlement was least noticed by investors, but it certainly was a cost for the fund companies to comply,” Lutton says.

Parts of the SEC’s 2004 order remain in place, including a requirement that Invesco cooperate fully with the SEC on any matters relating to the SEC’s 2004 order. Also, an ombudsman who was retained as part of the order to field concerns over ethical and questionable practices will remain. Invesco did not respond to requests for comment.

The SEC also provided **Janus** relief for the same compliance requirements in August 2010, according to a spokesman. **Franklin** requested relief in 2009 from having a third party periodically review its compliance controls, which the SEC accepted in an order.

Funds involved in large market-timing settlements were required to comply with the same three requirements as were Invesco and Janus, says Niels Holch, executive director of the Coalition of Mutual Fund Investors. A search of the SEC website only showed Invesco, Janus and Franklin requesting and receiving SEC relief, Holch says. The SEC did not respond to requests for comment.

Holch acknowledges that funds should be concerned about costs. But he also notes that it is not “unreasonable to have regular board elections and independent compliance reviews for those funds which engaged in improper market-timing activities resulting in \$3.4 billion in SEC penalties.”

“These are firms that had pretty significant compliance problems, so I would be concerned with any step backwards from the original settlement agreements,” Holch says.