

Transfer Agent Fees Down Slightly, Some See More to Come

By Greg Saitz, [BoardIQ](#), November 4, 2014

Transfer agent fees declined slightly between 2011 and 2013, while the percentage of funds footing the entire bill for sub-transfer agency costs dropped significantly during the same period, according to a recently issued Investment Company Institute survey. The focus by boards and regulators on the topic may have played a part in both trends, attorneys and others suggest.

“Whenever there is more scrutiny on an area like this on fees, you’re probably going to see downward pressure,” says one industry participant who reviewed the report. “There’s likely to be even more downward pressure on fees, and I don’t think we’ve seen the full effect of that at all.”

The Securities and Exchange Commission has listed sub-TA fees paid to intermediaries as an exam priority for the past two years, and attorneys say it appears to have recently completed a sweep looking at whether the charges were really payments for distribution in guise. The commission has not officially revealed its conclusions, but when it does, that could further influence how much funds pay for these services, attorneys say.

“It’s very difficult to get comparative data on what other mutual fund firms are doing,” says John Guffey, an independent director at **Calvert** funds. “The sub-transfer agency [fee] is all over the map, and the deals seem confidential.... To me this is a murky area and it’s ripe for abuse.”

Fund directors and advisers use the biannual ICI survey as one way to compare fees they’re being charged for recordkeeping and other shareholder services from internal or external transfer agents, as well as intermediaries with omnibus accounts. Critics say the sub-transfer agency data is inflated because it reflects fees that were not negotiated at arm’s length.

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Niels Holch, founding partner of **Holch & Erickson** and executive director of the Coalition of Mutual Fund Investors, says sub-TA figures in the ICI’s survey likely are inflated because the fees broker-dealers charge are bloated.

“When you go out and ask, ‘What are you paying?’ everybody’s got inflated numbers except the guys not doing omnibus,” he says.