

Comparability at Issue When It Comes to Sub-TA Fee Disclosures

By [Whitney Curry Wimbish](#), BoardIQ, April 19, 2016 [subscription required]
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Following the Securities and Exchange Commission's issuance of new guidance on distribution fee oversight, independent directors have been discussing whether to add or adjust their disclosures about intermediary payments.

Some say they are discussing if it is wise to explain in greater detail how much money is spent on exactly what services and weighing if such descriptions come with the risk that it might give regulators, or the plaintiff's bar, information that could be used against them.

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The SEC [updated its guidance](#) regarding payments for distribution in January. But while the update answered many of directors' questions, it did not mention how distribution or sub-TA payments should be disclosed other than to say that the SEC considers it a red flag if a fund lacks specificity about what sub-accounting fees pay for and when payments for sub-accounting and distribution are bundled into one fee.

Nor has the SEC stated a format preference for disclosing sub-TA and other related fees: as a dollar amount, a basis point, or a percentage of fund assets, attorneys and others say.

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It's unclear what method the SEC prefers, experts say. But directors may want to discuss whether the services rendered are adequately explained, given the regulator's recent guidance update, and whether their depiction of fees gives investors useful information, they say.

"I would rather have the percentage of the assets, or the fixed amount, because that's much more comparable," says Niels Holch, a partner at **Holch & Erickson** and executive director of the Coalition of Mutual Fund Investors. "To be meaningful to an investor, it would need to have comparability, and if you know you're paying 20 basis points for a 12b-1 fee and 20 basis points for a sub-TA fee, you can compare it to other investments."

It is also more meaningful, he says, if there is a clear explanation of what the sub-transfer agent does for the money it gets.

"I do think, in the funds' defense, they're trying to disclose more. But I'm questioning if it's the most useful disclosure," he says. "It would add more value if it was a more complete picture."