J.P. Morgan Share Class Cleanup Strips Sub-TA, Streamlines DC Plan Access

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J.P. Morgan Funds plans to peel the cost of recordkeeping and other administrative tasks paid to intermediaries from fund expenses next April, and will begin paying for those costs out of the distributor's pocket, regulatory filings show.

The decision puts J.P. Morgan among the first large fund families to make a major change in how they address sub–transfer agent costs since the Securities and Exchange Commission first issued guidance on the topic at the start of the year. *Ignites'*s sister publication *BoardIQ* initially reported on the new arrangements last week.

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"Advisors are looking at all their pricing schemes and different ways of compensating distributors to bring consistency to their models," says Jeff Keil, principal of Keil Fiduciary Strategies.

Mutual fund distribution and service payments, including 12b-1 shareholder service and sub-TA fees, made it to the top of the SEC's exam priorities list in 2013.

The agency noted it was interested in different components of payments between fund sponsors and their distributors. Such relationships have grown increasingly murky with the rise of omnibus accounting. By May 2015, the SEC had issued deficiency letters to four fund firms, including OppenheimerFunds, as reported.

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Rather than comforting fund shops by providing greater clarity around sub-TA practices, the SEC's January guidance has left many skittish, says Niels Holch, partner at Holch & Erickson and executive director of the Coalition of Mutual Fund Investors.

"Fund boards are nervous about this guidance because it puts them on the spot to make sure recordkeeping fees are not inflated and don't have any hint of a distribution purpose," he says.