

## Wells Fargo, Raymond James, LPL to repay investors more than \$30 million for mutual fund overcharges

Finra said the firms self-reported their failures to waive sales loads for Class A shares for retirement accounts and charities

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By **Mark Schoeff Jr.**

Three major broker-dealers must repay investors more than \$30 million after improperly charging them for mutual funds that were purchased for retirement accounts and charities, Finra announced Monday.

The Financial Industry Regulatory Authority Inc. **ordered the restitution** from Wells Fargo (\$15 million), Raymond James (\$8.7 million) and **LPL Financial** (\$6.3 million) after the firms failed to waive sales loads for Class A mutual fund shares sold between July 2009 and the end of 2014.

The firms either passed along the charges improperly or put investors into Class B or C shares, which come with high back-end and ongoing fees. Often, mutual funds waive their Class A sales loads for retirement accounts and charities.

Finra said the firms failed to supervise the mutual funds sales and train their brokers on the discounts. The brokerages neither admitted nor denied the charges in settling with Finra.

The regulator credited the firms with “extraordinary cooperation” for identifying the infractions and improving their systems to provide mutual fund discounts. Finra did not impose any fines on top of the reimbursement to investors.

“While Wells Fargo, Raymond James and LPL failed to ensure that their customers received these discounts, Finra’s sanctions acknowledge that the firms detected and self-reported these errors, and will provide full restitution to customers,” Brad Bennett, Finra executive vice president and chief of enforcement, said in a statement.

Last year, **Finra fined Merrill Lynch** \$8 million in addition to ordering restitution for similar overcharges on mutual fund sales.

The fact that Wells Fargo, LPL and Raymond James came forward on their own is no coincidence, according to Niels Holch, executive director of the Coalition of Mutual Fund Investors.

“There are a number of broker-dealers who are trying to avoid a fine by self-reporting,” Mr. Holch said. “They’re trying to get ahead of this.”

The firms touted the fact that they blew the whistle on themselves.

“As noted by Finra, Raymond James discovered the issue internally, proactively initiated client refunds and self-reported the findings to Finra,” Steve Hollister, director of public communications at Raymond James, said in a statement. “Given the firm's extraordinary cooperation, Finra waived any fines which would have otherwise been assessed. We are pleased to have the issue resolved.”

LPL echoed those points.

“LPL self-reported this issue, and we are addressing it to help uphold our commitment to serving the best interest of investors,” the firm said in a statement. “Importantly, there are no fines associated with this agreement as a result of our ongoing efforts to ensure a proper resolution of this issue for investors.”

Wells Fargo declined to comment.

Failure to pass along mutual fund fee discounts is structural, according to Mr. Holch. It occurs when brokerages consolidate thousands of mutual fund sales into a single omnibus order to a fund.

“Until we address the problems with omnibus accounts, we're going to see more of these enforcement actions,” Mr. Holch said. “The broker-dealers are not providing what's promised in the prospectus regarding sales load discounts. The fix is transparency [for the fund] down to the account level.”