

## Services

# Dinsmore Compliance Services

## Insights

### SEC Orders Three Self-Reporting Advisory Firms to Reimburse Investors over Improper Share Class Selection Disclosure

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On April 17, 2020, the SEC announced it has settled charges against three firms that self-reported as part of the Division of Enforcement's [Share Class Selection Disclosure Initiative](#). The SEC's orders found Merrill Lynch, Pierce, Fenner & Smith Inc. (MLPFS) and Eagle Strategies LLC violated Section 206(2) of the Advisers Act, which prohibits investment advisers from engaging "in any transaction, practice or course of business which operates as a fraud or deceit upon any client." The SEC also charged Cozad Asset Management Inc., finding Cozad violated 206(2) and 206(4) by failing to fully disclose the conflicts arising from it and its associated persons' selection of more expensive mutual fund share classes when other, lower-cost share classes for the same fund were available. The firms were censured and ordered to cease and desist from future violations. MLPFS and Eagle Strategies were ordered to pay disgorgement and prejudgment interest of over \$425,000, while Cozad was ordered to pay \$400,000 plus a \$10,000 civil penalty. See the press release for details as well as links to the SEC orders.

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