

## Schapiro: SEC will act on 12(b)-1 fees this year

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The Securities and Exchange Commission will reassess the 12(b)-1 fees collected by brokers as compensation for selling and servicing mutual funds, SEC Chairman Mary Schapiro said today.

Speaking at a conference in Washington, Ms. Schapiro noted that the 12(b)-1 fee issue is one of the initiatives that the SEC will move on this year.

“The problem is that investors may have no idea these fees are being deducted, what services they are paying for or who they are ultimately compensating,” she said. “That’s why I believe we need to critically rethink how 12(b)-1 fees are used and whether they continue to be appropriate.”

She acknowledged that changing the 12(b)-1 system, on which brokers depend to cover the cost of providing service to their customers, “is no small matter.” But since the fees were first allowed in 1980, the mutual fund market has grown and changed, and “it is past time to reassess their need and their effectiveness,” she said. Brokers collect about \$13 billion a year in such fees.

Ms. Schapiro also said she will push her agency to move ahead on a point-of-sale-disclosure proposal that would require brokers to provide investors with information about securities products and services, their compensation — and conflicts of interest — at the time investors are making decisions, rather than after sales have been made.

“In the past, there has been significant industry resistance to this seemingly level-headed concept,” she commented. “I am hopeful, however, that a focus on the needs of retail investors will prevail.”