

# SEC Committee Recommends Investor-Specific Mutual Fund Cost Disclosures

June 30, 2016

In mid-April, the SEC's Investor Advisory Committee (IAC) issued a recommendation that the SEC "explore ways to improve mutual fund cost disclosures." As a first step, the IAC urges the SEC to require that periodic account statements delivered to each mutual fund shareholder set forth the actual dollar amount of the direct and indirect costs borne by that shareholder over the period. The SEC has previously declined to require such customer-specific disclosure, given the substantial costs it would impose on funds. Rather, the SEC has required that mutual funds disclose the costs investors bear as a percentage of net assets and as a dollar amount per \$1,000 of investment. However, the IAC believes the current location and nature of such disclosures do not provide optimal investor understanding of the actual costs they bear and the impact of those costs on total accumulations over the life of their investment. Longer term, the IAC recommends that the SEC consider, among other things, ways to contextualize the cost information for investors. For example, mutual funds could be required to make disclosures that compare the level of their costs to the average benchmark costs for other funds with similar characteristics. The IAC was established under Dodd-Frank provisions that require the SEC to "promptly" issue a public statement assessing each IAC recommendation and disclosing the responsive action, if any, the Commission intends to take. Moreover, Dodd-Frank requires the SEC's "Investor Advocate" (who is also an ex officio member of the IAC) to annually report directly to Congress about what recommendations the IAC has made, and how the SEC has responded. Accordingly, the IAC's recommendations are expected to spur substantive consideration at the SEC and, perhaps, in Congress.

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