

HTIN Participates in SEC Share Class Initiative and Related Settlement

The U.S. Securities and Exchange Commission (SEC) brought numerous actions against investment advisers over the past several years that failed to make required disclosures or the disclosures made were not written in a clear enough manner, related to its selection of mutual fund share classes that paid certain fees, known as 12b-1 fees, to representatives when a lower cost share class was available for the same fund that did not make those payments. 12b-1 fees are sometimes also described as distribution and marketing fees, and are generally paid to brokerage firms for distribution and shareholder services. As a result of these actions and related findings, the SEC implemented the Share Class Selection Disclosure initiative to allow firms to self-report circumstances in which the disclosures do not meet the SEC's requirements.

After conducting a review of its advisory business, HTIN addressed this issue in January 2018 by enhancing its investment advisory programs to rebate to customers any 12b-1 fees paid by mutual funds held in managed accounts and by making disclosures regarding the 12b-1 payments.

Although HTIN did make disclosures regarding mutual fund 12b-1 payments, the SEC has indicated that the disclosures were not clear enough for investors to make an informed decision regarding offered advisory services and payments.

As a result of the SEC's decision regarding these fees and disclosures, HTIN accepted an offer from the SEC to settle this matter and agreed to the entry of an order which included HTIN to return certain 12b-1 fees and interest charged to investors in managed accounts from January 2014 through January 2018.

In agreeing to participate in this initiative, HTIN will not be subject to a regulatory fine by the SEC.

Related Items:

<https://www.sec.gov/litigation/admin/2019/ia-5393.pdf>

HTIN SCSD Order