

SEC “Sweeps” to Target Distribution Fees and Alternative Funds

by Bettina Eckerle

Less than one month after announcing its enforcement priorities, the SEC is planning its first round of “sweeps.” Speaking at an Investment Adviser Association conference on March 8, the Deputy Director of the SEC’s Office of Compliance Inspections and Examinations, Andrew Bowden, outlined the likely targets.

Distribution Fees

The first targeted sweep focuses on advisers’ payments to mutual fund distributors, such as 12b-1, Sub Transfer Agent, revenue sharing and conference fees. Examiners are specifically looking at payment amounts, the services rendered and the oversight of these payments by mutual fund boards. “As a commission, what we’re trying to do is understand ... what are [the payments] for, what are the services being provided, what’s the level of oversight of those arrangements by the board?” Bowden stated. “What is going on in the industry today?” he added. This initiative is currently ongoing and will target an unspecified number of firms.

Alternative Funds

The next sweep will target alternative mutual funds, which were also mentioned in the [SEC’s recent enforcement priorities](#). According to Bowden, the aim is to better understand “[industry] trends and whether the current regulatory construct is operating the best way that it can.” He also mentioned valuation and liquidity issues as top concerns. These sweeps will begin later this year.

For more details on specific concerns and past experiences with sweeps, call, e-mail or tweet me @NYBusinessLaws.

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