

SEC Share Class Selection Disclosure Initiative

Financial Services

The SEC maintains its vigilance of Share Class risks as demonstrated by the high profile and costly settlements announced in 2020, followed by the issuance of another related risk alert in 2022 by the SEC's Office of Compliance Inspections and Examinations ("OCIE").

Whether a firm has self-disclosed, is in the midst of remediation or is being targeted by regulators for share class issues, it is not too late to take action. FTI Consulting can help by conducting share-class analyses and developing and executing 12b-1 fee remediation plans to address your specific needs.

— SHARE CLASS RISKS

- Fiduciary duty and best execution;
- Disclosures of conflicts of interest and receipt of compensation from mutual fund companies; and,
- Mutual fund share class selection methodologies.

Our Methodology

Our experience involves end-to-end assessment and remediations and our approach can be customized to meet any client need. Our services cover both compliance assessments to determine impacted investors, if any, and Fair Fund administration services to recompense impacted investors.

Identifying Impacted Investors

In the initial stages of assessment, FTI Consulting evaluates and leverages any pre-existing internal efforts conducted by the client in response to SEC inquiries, or in similar remediation efforts and, to the extent not completed, executes the following procedures:

1. Identify mutual fund share class investment options offered to investors
2. Identify 12b-1 fees for each share class
3. Identify the lowest-cost share class available to investors
4. Identify impacted investors
5. Reinvest investors in the lowest-cost share class alternative
6. Assist counsel review disclosures

Administration Services

Once the complete population of impacted accounts and the corresponding monetary amounts are determined, FTI Consulting can perform the following procedures to assist with full remediation:

1. Identify the data sources necessary to develop a calculation methodology
2. Identify the mutual funds at issue during the relevant period
3. Identify investors who invested in mutual funds at issue during the relevant period
4. Develop a calculation methodology to allocate proceeds and avoided transaction fees to affected investors and calculate interest
5. Execute the calculation methodology against the identified data
6. Summarize the calculation methodology in a disbursement file for submission to and approval by the SEC
7. Create a final payment file identifying specific repayment amounts for each impacted investor
8. Manage the disbursement of all amounts payable to impacted investors
9. Prepare a final accounting and certification of the disposition of the Fair Fund for SEC approval

Our Team

Whether taking a proactive or reactive posture, FTI Consulting can scale our offerings to best align with any compliance and remediation strategy, while providing flexibility to meet and exceed regulators' expectations. Our industry-leading experts include:

- FTI Consulting's Broker-Dealer Regulatory Group, consisting of former in-house legal practitioners and former regulators with decades of experience and insight dealing with regulatory reviews
- FTI Consulting's Data & Analytics practice, composed of professionals who use advanced methodologies to quickly analyze voluminous datasets to accelerate the remediation process

FTI Consulting's clients include Fortune 500 corporations, FTSE 100 companies, global banks, major and local law firms and state and national governments and agencies in the U.S. and other countries. Our experience specifically in the area of share class risk includes:

- Independently assessing exposure to potential 12b-1 fee issues and preparing a remediation plan to refund any inappropriate charges.
- Serving as a FINRA-mandated independent third-party examiner to review and assess alleged violations of federal securities laws related to broker-dealer and mutual fund businesses and fees charged to customers.
- Investigating and remediating potentially excessive 12b-1 fees and resolving ongoing procedural issues to ensure proper compliance with disclosures and regulations.

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