Five more advisory firms pay restitution for overcharges

By Editorial Staff   *Thu, Oct 29, 2015*

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Five firms have been ordered by FINRA (the Financial Industry Regulatory Authority) to pay $18 million, including interest, in restitution to affected customers for failing to waive mutual fund sales charges for eligible charitable organizations and retirement accounts. The following firms were sanctioned:

- Edward D. Jones & Co., L.P. – $13.5 million in restitution
- Stifel Nicolaus & Company, Inc. – $2.9 million in restitution
- Janney Montgomery Scott, LLC – $1.2 million in restitution
- AXA Advisors, LLC – $600,000 in restitution
- Stephens Inc. – $150,000 in restitution

In July 2015, FINRA had ordered Wells Fargo Advisors, LLC; Wells Fargo Advisors Financial Network, LLC; Raymond James & Associates, Inc.; Raymond James Financial Services, Inc.; and LPL Financial LLC to pay restitution for similarly failing to waive mutual fund sales charges for certain charitable and retirement accounts.

Collectively, an estimated $55 million in restitution will be paid to more than 75,000 eligible retirement accounts and charitable organizations as a result of those cases and the cases announced today.

Mutual funds offer several classes of shares, each with different sales charges and fees. Typically, Class A shares have lower fees than Class B and C shares, but charge customers an initial sales charge. Many mutual funds waive their upfront sales charges on Class A shares for certain types of retirement accounts, and some waive these charges for charities.

FINRA found that although the mutual funds available on the firms’ retail platforms offered these waivers to charitable and retirement plan accounts, at various times since at least July 2009, the firms did not waive the sales charges for affected customers when they offered Class A shares. As a result, more than 25,000 eligible retirement accounts and charitable organizations at these firms either paid sales charges when purchasing Class A shares, or purchased other share classes that unnecessarily subjected them to higher ongoing fees and expenses.

FINRA also found that Edward Jones, Stifel Nicolaus, Janney Montgomery, AXA and Stephens failed to adequately supervise the sale of mutual funds that offered sales charge waivers. The firms unreasonably relied on financial advisors to waive charges for retirement and eligible charitable organization accounts, without providing them with critical information and training.

In concluding these settlements, Edward Jones, Stifel Nicolaus, Janney Montgomery, AXA and Stephens neither admitted nor denied the charges, but consented to the entry of FINRA's findings.