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Sept. 16, 2019 | Philadelphia, PA

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Conquering Current Compliance Challenges

Recorded: August 14, 2019

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The Adviser's Guide to SEC Advertising and Marketing Rules

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SEC accuses Massachusetts dual registrant of failing to disclose revenue sharing conflict

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Comments?

The SEC has charged a Massachusetts dual registrant, alleging that the firm failed to disclose a revenue sharing conflict of interest that generated some \$100 million in revenue.

Commonwealth Equity Services, of Waltham (\$85 billion AUM), had a long-standing relationship with **National Financial Services** that stretched back decades. But in September 2014, the firms altered their revenue sharing agreement, giving Commonwealth 80% of the mutual fund revenue that NFS invested in its "no transaction fees" mutual fund programs for Commonwealth clients.

The revenue sharing agreement gave Commonwealth incentive to nudge clients into the no transaction fee program and caused its advisory clients to invest without a full understanding of the firm's compensation motives and incentives, the Commission said in a 21-page [complaint](#) made public Aug. 1.

In an email statement, Commonwealth spokeswoman **Jacquelyn Marchand** said the company "vehemently denies the allegations and believes they are categorically without merit."

"We are confident we have operated both appropriately and justly and will vigorously defend our actions in this matter," Marchand said.

In addition to the disgorgement of the \$100 million Commonwealth earned on the revenue sharing agreement between 2014 and 2018, the SEC is seeking an injunction against Commonwealth and undisclosed fines.

The information contained herein was current as of the publication date.

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