

ADMINISTRATIVE PROCEEDING
File No. 3-17960

SEC Charges Mutual Fund Advisory Firm with Payment Errors and Disclosure Failure

May 1, 2017—The Securities and Exchange Commission today announced that Chicago-based William Blair & Company has agreed to pay a \$4.5 million penalty to settle charges that mutual fund assets were used to pay for the distribution and marketing of fund shares outside of a Rule 12b-1 plan, and that it failed to fully disclose that it would retain a fee for providing shareholder administration services to certain funds.

According to the SEC's order, payments for distribution-related services can only come from fund assets pursuant to a written Rule 12b-1 plan that is approved by a fund's board. The order finds that William Blair & Company tapped fund assets rather than its own assets to make such payments outside of the funds' 12b-1 plan. The firm also caused the funds to pay sub-transfer agent services in excess of board-approved limits. The payment errors cost the funds approximately \$1.25 million, which William Blair & Company has since paid back to the funds plus interest.

The SEC's order further finds that William Blair & Company failed to fully and fairly disclose to the funds' board that the firm was retaining a fee that, when approved by the board, was expected to be paid to third parties to provide shareholder administrative services. William Blair & Company instead generally provided the services itself and retained all of the fees.

The SEC's order finds that William Blair violated Section 206(2) of the Investment Advisers Act of 1940 and Section 34(b) of the Investment Company Act of 1940, and caused the funds to violate Section 12(b) of the Investment Company Act of 1940 and Rule 12b-1. William Blair & Company consented to the order without admitting or denying the findings, and the firm agreed to pay the \$4.5 million penalty and cease and desist from further violations.

The SEC's investigation was conducted by Salvatore Massa, John Farinacci, and Jessica Weissman of the Enforcement Division's Asset Management Unit. An SEC examination that led to the investigation was conducted by Mr. Farinacci, Thoreau Bartmann, Andrew Bernstein, Brian Caravello, Peter Ciliberti, Renee Esfandiary, Katherine Feld, Claudio Gil, Mavis Kelly, Lindsay Kidwell, and Lucas Tepper.

See also: [Order](#)