

Massachusetts – New Fee Disclosure Requirements for Investment Advisers

The Commonwealth of Massachusetts passed an amendment to its investment adviser regulations which requires any investment advisory firm registered with the Commonwealth of Massachusetts to provide clients with a one-page document disclosing the firm's fees for advisory services in a table format.

The new "Table of Fees for Services" ("Fee Table") disclosure requirement goes into effect on January 1, 2020. The purpose of the Fee Table is for investment advisers to provide Massachusetts clients and prospective clients with a streamlined presentation of the adviser's fees and services to enable clients to make more informed comparisons when seeking investment advice. Additionally, if the adviser has a website, the Fee Table must also be available and easily accessible on the website.

The Fee Table is intended to provide a simplified overview and to encourage clients to start a dialogue with their adviser regarding fees, including any additional fees that may be incurred upon implementation (whether charged by the adviser or a third party). The standalone Fee Table supplements the more detailed services and fee disclosure found in the Form ADV Part 2.

The Fee Table is required to have four primary parts and to include certain standard disclosures. Part 1 offers basic information about the firm and requires certain standard disclosures. Part 2 is the advisory fee information set forth in three sections with specified columns in each section.

Part 3, titled Discussion Box, prompts clients or prospects to ask questions about the costs involved with implementing the adviser's recommendations/services. Generally, these costs are not paid to the adviser, but they may affect the client's overall account performance. This section requires a header entitled, "For Additional Discussion with your Adviser" and includes a final table to report additional fees and costs. Finally, Part 4 requires the current effective date.

The Fee Table requirement only applies to investment advisers registered with the Commonwealth of Massachusetts (regardless of whether Massachusetts is the adviser's home state). It does not apply to investment advisers registered with the SEC and notice filed in Massachusetts. The Fee Table is not required to be uploaded to IARD. Like Part 2, however, the Fee Table is required to be updated at least annually by changing the effective date. Advisers must also offer the Fee Table to advisory clients annually. You can find the Table of Fees final rule adoption here: [Adoption of Amendments to Investment Adviser Disclosure Regulations](#).