

SEC Scrutinizes Evaluation of Fund Advisory Contracts

The SEC recently imposed sanctions against an investment adviser and board members of a mutual fund for their failure to evaluate thoroughly an advisory contract in violation of Section 15(c) of the Investment Company Act.

- The Gartenberg factors are still the appropriate framework to use during the evaluation of advisory contracts, but approval should reflect a thorough and thoughtful process from both the adviser and the mutual fund.
- The failure of an adviser to provide the requested information does not excuse board members from properly evaluating an advisory contract before approval.

This update details the factors behind the SEC's sanctions and its use of Section 15(c) to emphasize the importance of creating a thorough record on the terms of advisory contracts. [Read the full update](#)

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