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PRESS RELEASE

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SEC Charges TIAA Subsidiary for Failing to Act in the Best Interest of Retail Customers

Broker-dealer to pay more than \$2.2 million for violating Reg BI

FOR IMMEDIATE RELEASE | 2024-22

Washington D.C., Feb. 16, 2024 — The Securities and Exchange Commission today announced that registered broker-dealer TIAA-CREF Individual & Institutional Services LLC (TC Services), a subsidiary of Teachers Insurance and Annuity Association of America (TIAA), will pay more than \$2.2 million to settle charges that it failed to comply with Regulation Best Interest (Reg BI) in connection with recommendations to retail customers to open a TIAA Individual Retirement Account (TIAA IRA).

According to the SEC order, the TIAA IRA allowed retail customers to invest in both a pre-selected “core menu” of affiliated investments, including affiliated mutual funds, and, through the TIAA IRA’s optional “brokerage window,” a broader array of securities, including a variety of mutual funds, ETFs, stocks, and bonds. During the relevant period, the brokerage window included the lowest-cost share classes of certain affiliated mutual funds offered in the core menu, but with the investment minimums waived. Due to the waivers, customers could have purchased substantially equivalent, lower-cost share classes of these mutual funds in the brokerage window. The SEC’s order finds that TC Services violated Reg BI by, among other things, failing to disclose both that substantially equivalent, lower-cost share classes of affiliated funds were available in the brokerage window and the conflicts that created.

According to the SEC’s order, more than 94 percent of TIAA IRA customers invested only through the core menu. As a result, nearly 6,000 TC Services retail customers paid more than \$900,000 combined in expenses that they could have avoided by purchasing substantially equivalent funds through the brokerage window.

“Reg BI protects retail investors by requiring broker-dealers to act in the best interest of their customers when making recommendations, and today’s action demonstrates our commitment to ensuring compliance,” said Thomas P. Smith, Jr., Associate Regional Director in the New York Regional Office.

The SEC’s order finds that TC Services violated Reg BI’s General Obligation as well as Disclosure, Care, and Compliance Obligations. Without admitting or denying the findings, TC Services consented to the entry of an order that requires it to cease-and-desist from violating Reg BI, censures the firm, and orders it to pay disgorgement of \$936,714 together with prejudgment interest of \$103,424.91 as well as a civil monetary penalty of \$1,250,000.

The SEC’s investigation was conducted by Rebecca Reilly and Alison Conn of the SEC’s New York Regional Office, under the supervision of Mr. Smith. The SEC examination that led to the investigation was conducted by Michael Altschuler, Sabrina Rubin, and Linda Lettieri.

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