

MEMO# 6722

March 3, 1995

SEC SANCTIONS PORTFOLIO MANAGER WITH RESPECT TO PERSONAL INVESTING ACTIVITIES

March 3, 1995 TO: COMPLIANCE COMMITTEE No. 14-95 INVESTMENT ADVISER MEMBERS
No. 13-95 SEC RULES MEMBERS No. 15-95 RE: SEC SANCTIONS PORTFOLIO MANAGER WITH
RESPECT TO PERSONAL INVESTING ACTIVITIES

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Securities and Exchange Commission recently sanctioned a portfolio manager in connection with his personal investing activities. A copy of the Commission's order is attached. The portfolio manager serves in the equity department of a registered investment adviser, where he manages the portfolios of certain registered investment companies. The Commission found that the portfolio manager failed to disclose some of his personal securities transactions. In particular, the Commission found that in or about February 1993, he bought shares in a private placement offering through a personal account, but did not properly report the transaction to the adviser within ten days of the end of the quarter. He also engaged in securities transactions through a personal account between June 1993 and December 31, 1993, without properly reporting the transactions to the adviser within ten days of the end of the June 30th, September 30th, and December 31st quarters. In April 1994, following its review of these transactions, the adviser imposed sanctions on the portfolio manager. The sanctions included a requirement that he close his brokerage accounts and refrain from trading except as a portfolio manager. The adviser also placed him on an 18-month probation period and required him to forfeit options and bonuses of over \$200,000 and refund profits and price benefits of over \$5,000 received from trading in certain of his or his relatives accounts simultaneously with the adviser's funds. The Commission found that the portfolio manager's transactions discussed above violated Section 17(j) and Rule 17j-1(c) under the Investment Company Act of 1940 and Section 204 and Rule 204-2(a)(12) under the Investment Advisers Act of 1940. Without admitting or denying the Commission's allegations, the portfolio manager consented to an order to cease and desist from future violations of these provisions, a censure, and the payment of a civil money penalty in the amount of \$20,000. Thomas M. Selman Associate Counsel Attachment