

MEMO# 5572

February 8, 1994

PERSONAL TRADING BY PORTFOLIO MANAGERS

February 8, 1994 TO: BOARD OF GOVERNORS NO. 15-94 RE: PERSONAL TRADING BY PORTFOLIO MANAGERS _____ Recent developments lead me to believe that attention to the issue of personal trading by portfolio managers may escalate even sooner than anticipated. We have received reports that there may be a number of SEC investigations involving personal securities trading by advisory personnel; that Chairman Markey is likely to make additional inquiries of the SEC and/or hold hearings; and that Chairman Levitt is very concerned about this matter. I believe that if we do not take the initiative, events may overtake us. Therefore, we have advised the SEC and members of Congress that the industry takes this matter extremely seriously, that firms have codes and compliance procedures in place (many of them based on the Institute's Drafting Guide for Codes of Ethics), and that the Institute's Board of Governors will consider recommendations for further tightening of standards. A subcommittee of the Executive Committee will develop recommendations which will be reviewed by the Executive Committee and then by the Board of Governors. I hope that this process will permit us to move expeditiously without the need for a special meeting of the Board. If events warrant, however, we will schedule a meeting. I will keep you advised of developments. Please share your views with me. Matthew P. Fink