

MEMO# 964

February 6, 1989

DRAFTING GUIDE FOR POLICY AND PROCEDURES DESIGNED TO DETECT AND PREVENT INSIDER TRADING

February 6, 1989 TO: MEMBERS - ONE PER COMPLEX NO. 2-89 SEC RULES MEMBERS NO. 7-89 INVESTMENT ADVISER MEMBERS NO. 8-89 INVESTMENT ADVISER ASSOCIATE MEMBERS NO. 8-89 CLOSED-END FUND MEMBERS NO. 7-89 RE: DRAFTING GUIDE FOR POLICY AND PROCEDURES DESIGNED TO DETECT AND PREVENT INSIDER TRADING

As you know, the Insider Trading and Securities Fraud Enforcement Act of 1988 (ITSFEA) requires every investment adviser to establish, maintain and enforce policies and procedures to detect and prevent the misuse of material, nonpublic information by such investment adviser or any person associated with the adviser. (See Memorandum to Board of Governors No. 58-88; SEC Rules Members No 47-88; Investment Adviser Members No. 40-88; and Investment Adviser Associate Members No. 41-88, dated September 20, 1988). The Institute formed an ad hoc committee of members to develop guidelines for investment advisers to use in formulating their own policies to detect and prevent insider trading. Attached is a copy of the Memorandum on Insider Trading and Drafting Guide for Policy and Procedures Designed to Detect and Prevent Insider Trading (Memorandum and Drafting Guide) which includes the guidelines developed by the ad hoc committee. The Memorandum portion of the Memorandum and Drafting Guide includes a discussion on the background of Congressional efforts to address insider trading and the ITSFEA requirement for investment advisers to establish policy and procedures to detect and prevent insider trading. In addition, the Memorandum raises several issues that should be addressed by an investment adviser when drafting policy and procedures for compliance with ITSFEA. The Drafting Guide portion of the Memorandum and Drafting Guide was developed to assist investment advisers in formulating their own policy and procedures to detect and prevent insider trading as required by ITSFEA. The Drafting Guide consists of three sections: a policy statement, procedures to aid the investment adviser in monitoring and enforcing its policy on insider trading and supervisory procedures. Each of the sections includes sample provisions, general comments and specific comments on the sample provisions. The Drafting Guide is designed for use by an investment adviser whose only activity consists of advising investment companies and private clients. However, many of the provisions may be appropriate for advisers associated with multi-service firms or advisers that only advise non-investment company clients. In considering the Drafting Guide, Institute members should bear in mind that due to the diversity of organizations and business operations of Institute members, it is not possible to draft a single set of policies and procedures. Therefore, the Drafting Guide is not intended to be a policy and procedures model, but is

intended to assist individual members in considering a number of issues when preparing policies and procedures tailored to their particular circumstances. We hope that the Memorandum and Drafting Guide will assist members in developing their own policy and procedures to detect and prevent insider trading. Natalie Shirley Associate General Counsel
Attachment

Source URL: <https://icinew-stage.ici.org/memo-964>

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.