

MEMO# 1690

January 31, 1990

SEC CENSURES ADVISER IN CONNECTION WITH FUND REFERRALS

January 31, 1990 TO: SEC RULES MEMBERS NO. 9-90 INVESTMENT ADVISER MEMBERS NO. 6-90 RE: SEC CENSURES ADVISER IN CONNECTION WITH FUND REFERRALS

In an administrative order issued January 22, the SEC announced findings that a registered adviser willfully violated Section 17(e)(1) of the Investment Company Act by receiving compensation, in the form of client referrals, for the purchase or sale of property to or for funds for which it served as investment adviser. Specifically, the SEC charged that the adviser established an allocation procedure that identified and recommended that brokerage commissions be directed to certain broker-dealers in recognition of client referrals. Without admitting or denying the SEC's findings, the adviser agreed to establish, maintain and monitor procedures designed to prevent similar conflicts of interest. A copy of the SEC order is attached. Craig S. Tyle Associate General Counsel Attachment

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