

MEMO# 906

January 6, 1989

ADVISER CHARGED WITH INSIDER TRADING; INSTITUTE HOLDS SEMINAR ON INSIDER TRADING

January 6, 1989 TO: INVESTMENT ADVISER MEMBERS NO. 3-89 INVESTMENT ADVISER ASSOCIATE MEMBERS NO. 3-89 RE: ADVISER CHARGED WITH INSIDER TRADING; INSTITUTE HOLDS SEMINAR ON INSIDER TRADING

On December 28, 1988, the SEC brought charges against an adviser for engaging in an insider trading scheme that netted profits totalling \$333,000. The SEC alleged that the investment adviser misappropriated material non-public information concerning a tender offer by Broken Hill Proprietary Company (BHP) for Energy Reserves Group, Inc. (ERG) from his partner, a consultant to ERG, who was intimately involved in the tender offer negotiations. A copy of the SEC litigation release is attached. The SEC alleged that the adviser and a broker to whom the adviser owed a long-standing debt, arranged to have other investors acquire common stock in ERG before the BHP announced its tender offer. The agency alleged that the adviser, broker and other investors violated the anti-fraud sections of the securities laws by knowingly trading on "material non-public information." The SEC asked the court to enjoin the defendants from future violations and order them to disgorge their trading profits and to pay civil penalties under the Insider Trading Sanctions Act of 1984. INSTITUTE SEMINAR As we have previously informed you, the Insider Trading and Securities Fraud Enforcement Act of 1988, enacted in November, 1988, requires all investment advisers to establish, maintain and enforce procedures designed to prevent insider trading. The Institute will be holding a special one-day seminar to assist members and outside counsel in developing procedures. The seminar will be held on February 8, 1989 at the Capital Hilton, 1001 16th Street, NW, Washington, DC. Registration will take place from 8:00 a.m. to 8:30 a.m. The seminar is expected to last until 3:30 p.m.; lunch will be served. The fee for members is \$100; the fee for non-members is \$200.00. Registration will be open until the seminar is fully subscribed. If you should need a room reservation, please call the Capital Hilton directly at (202) 393-1000. Topics expected to be discussed include background of the Insider Trading and Securities Fraud Enforcement Act of 1988, what constitutes insider trading, liability issues, procedures for advisers whose only activities are advising investment companies or private clients, and procedures for advisers affiliated with multi-service firms. A copy of the registration form is attached for your convenience. Please return it as soon as possible to Lauren Graham, Investment Company Institute, 1600 M Street, NW, Washington, DC 20036. We look forward to seeing you at the seminar. Robert L. Bunnan, Jr. Assistant General Counsel Attachments

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