

**MEMO# 3615**

March 20, 1992

## **FORMER FUND PORTFOLIO MANAGER SETTLES CIVIL INSIDER TRADING SUIT AND RELATED ADMINISTRATIVE PROCEEDING**

March 20, 1992 TO: SEC RULES MEMBERS NO. 12-92 RE: FORMER FUND PORTFOLIO MANAGER SETTLES CIVIL INSIDER TRADING SUIT AND RELATED ADMINISTRATIVE PROCEEDING \_\_\_\_\_ The SEC recently accepted a settlement offer in an administrative proceeding in connection with an order of a federal district court permanently enjoining a former fund portfolio manager from violating various provisions of the federal securities laws. Copies of the SEC's complaint, the related litigation release and the order instituting administrative proceedings are attached. The SEC's complaint alleged that the portfolio manager agreed to purchase securities for the funds he managed from the underwriter of those securities in exchange for the opportunity to invest for his personal account in a limited partnership that enabled him to participate in the profits of a leveraged buyout. The complaint further alleged that the portfolio manager traded in securities on the basis of information which he knew or should have known was material, non-public information provided to him in breach of a fiduciary duty or other relationship of trust or confidence. Finally, according to the SEC's complaint, the portfolio manager failed to disclose numerous personal securities transactions, as required by the codes of ethics of the funds he managed. As a result of these actions, the SEC's complaint alleged, the portfolio manager aided and abetted violations of Sections 204 and 206(1) and (2) of the Investment Advisers Act and Rule 204-2(a)(12) thereunder and of Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder, and violated Sections 17(d), 17(e)(1), 17(j) and 36(a) of the Investment Company Act and Rules 17d-1 and 17j-1(c) thereunder. Without admitting or denying the SEC's allegations, the portfolio manager consented to a permanent injunction against further violations of the above provisions and agreed to pay a civil penalty under the Insider Trading Sanctions Act of \$19,750. The administrative proceeding resulted in a three-year industry bar. Frances M. Stadler Assistant General Counsel Attachments

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