

MEMO# 7967

June 12, 1996

LETTER FROM CHAIRMAN LEVITT ON PERSONAL INVESTING

June 12, 1996 TO: BOARD OF GOVERNORS No. 28-96 MEMBERS - ONE PER COMPLEX No. 48-96 RE: LETTER FROM CHAIRMAN LEVITT ON PERSONAL INVESTING

_____ In his speech at the Institutes General Membership Meeting in May, SEC Chairman Arthur Levitt emphasized the importance of mutual fund codes of ethics that contain appropriate safeguards and procedures governing personal investing by portfolio managers. At that time, I sent a letter to Chairman Levitt that reiterated the mutual fund industrys commitment to high ethical standards. My letter noted the Institutes 1994 Advisory Group on Personal Investing, which recommended that funds voluntarily adopt a number of substantive restrictions and procedural requirements, tailored as necessary to each funds unique circumstances. (See Board of Governors No. 23-86, Members - One Per Complex No. 40-96, May 24, 1996.) In his response to my letter, a copy of which is enclosed, Chairman Levitt praises the Advisory Groups efforts as "a model of aggressive industry response to a potentially serious problem" and credits the fund industry with taking a leading role in addressing the concerns presented by personal investing. Chairman Levitt urges each fund group to address the issue of personal investing "while the sun is still shining" and before the fund is faced with a specific problem. The Institute remains committed to personal investing standards that promote the confidence of fund investors. The Advisory Group recommendations represent the best practices of the mutual fund industry, and have been adopted by a solid majority of Institute members. I strongly urge each member that has not already incorporated the recommendations of the Advisory Group into its funds codes of ethics to do so as soon as practicable. In this regard, you should note that the SEC is expected to adopt rule amendments requiring disclosure of funds codes of ethics in the near future. Continued scrutiny of such codes by the media can be expected. Please contact Paul Stevens, the Institutes General Counsel (202/326-5810), or Thomas Selman, Associate Counsel (202/326-5819), if you have any questions regarding the Advisory Groups recommendations or personal investing generally. Matthew P. Fink President

Enclosure

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