

MEMO# 7956

June 11, 1996

INVESTMENT MANAGEMENT COMPANY SETTLES WITH DOL REGARDING CROSS TRADES

June 11, 1996 TO: PENSION MEMBERS No. 23-96 INVESTMENT ADVISER MEMBERS No. 19-96
INVESTMENT ADVISER ASSOCIATE MEMBERS No. 17-96 COMPLIANCE COMMITTEE No. 15-96
RE: INVESTMENT MANAGEMENT COMPANY SETTLES WITH DOL REGARDING CROSS TRADES

_____ An
investment management company recently entered into a settlement with the Department of Labor regarding certain cross trades undertaken on behalf of pension plan clients. The DOL had alleged that the execution of securities transactions on behalf of both the buying and selling accounts of pension plan clients violated the prohibited transaction rules of the Employee Retirement Income Security Act of 1974 ("ERISA"). Specifically, the DOL had alleged that the company had caused pension plan accounts under its discretionary control and management to engage in transactions and exchanges of assets with other accounts under its discretionary control and management without the intervention of an independent fiduciary representing the plans. Generally, investment managers must obtain an individual exemption by application to the DOL in order to effect such transactions. Under the terms of the settlement, the company neither admitted nor denied the allegations. The company, however, agreed to reimburse pension plan accounts involved in the trades for any net loss from the transactions (based on a negotiated methodology) plus an additional recovery amount to each plan, regardless of any actual loss. A copy of the consent judgment is attached. We will keep you informed of developments. Russell G. Galer Assistant Counsel - Pension Attachment Note: Not all recipients of this memo will receive an attachment. If you wish to obtain a copy of the attachment referred to in this memo, please call the Institute's Information Resource Center at (202)326-8304, and ask for this memo's attachment number: 7956.