

**MEMO# 7451**

November 30, 1995

# **FORMER PORTFOLIO MANAGER ENJOINED AND BARRED WITH RESPECT TO PERSONAL TRADING ACTIVITIES**

1 Investment Company Act Release No. 21541 (November 27, 1995) (order); Litigation Release No. 14737 (November 28, 1995). November 30, 1995 TO: COMPLIANCE COMMITTEE No. 45-95 INVESTMENT ADVISER MEMBERS No. 55-95 UNIT INVESTMENT TRUST MEMBERS No. 63-95 RE: FORMER PORTFOLIO MANAGER ENJOINED AND BARRED WITH RESPECT TO PERSONAL TRADING ACTIVITIES

\_\_\_\_\_ The Securities and Exchange Commission recently announced that a former portfolio manager to registered investment companies was enjoined and barred as a result of certain of his personal trades. The Commissions litigation release with respect to the injunctive action and the Commissions order in the administrative proceeding are attached.<sup>1</sup> In February 1995 the Commission filed a complaint alleging that the former portfolio manager had concealed from the mutual funds and from his employer that he was directing compensation from the funds investments to his son and failed to disclose that he was a founder, director, and shareholder of the parent company of an issuer in which he had caused his funds to invest. The Commissions complaint also alleged that he had failed to report certain personal securities transactions to his employer. In September, the portfolio manager, without admitting or denying the allegations of the Commissions complaint, consented to a permanent injunction from violating the antifraud and certain other provisions of the securities laws and consented to a civil penalty of \$115,000. The litigation release states, "No disgorgement was sought . . . because [the former portfolio manager] did not personally profit from the transactions." In the Commissions administrative proceeding, the portfolio manager consented, without admitting or denying the allegations, to a bar from associating with any investment adviser, investment company, broker-dealer or municipal securities dealer, with a right to reapply for association after five years. Thomas M. Selman Associate Counsel 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)326-8305 or (202)326-5903, and ask for this memo's attachment number: 7451.