

MEMO# 5849

May 9, 1994

REPORT OF THE ADVISORY GROUP ON PERSONAL INVESTING

May 9, 1994 TO: BOARD OF GOVERNORS NO. 37-94 MEMBERS - ONE PER COMPLEX NO. 28-94 RE: REPORT OF THE ADVISORY GROUP ON PERSONAL INVESTING

I am pleased to forward the Report of the industry's Advisory Group on Personal Investing. This Report is being released today, Monday, May 9th. (Please see enclosed press release.) Separately, by facsimile this morning, you should have received the Executive Summary of the Report. As you know, the Advisory Group was formed in February and charged with reviewing current standards and practices governing personal investing activities within the investment company industry. The Advisory Group's Report documents the substantial success that the Securities and Exchange Commission and the industry have achieved to date in preventing potential conflicts of interest in personal trading activities. This success has been achieved for a number of reasons -- including the high priority that the industry has accorded to developing effective codes of ethics, in accordance with the longstanding mandate of the Investment Company Act and the Commission's regulations. The Report's recommendations incorporate the best practices of the industry and recommend that various substantive restrictions and certain compliance procedures be adopted throughout the industry. The recommendations do not envision the need for changes in federal statute or the Commission's regulations. During its deliberations the Advisory Group solicited the views of all Institute members and surveyed the codes of ethics of Institute members in order to verify current industry practices and standards. (See Memorandum to Board of Governors No. 31-94, dated April 11, 1994; Memorandum to Members - One Per Complex No. 20-94, dated March 24, 1994; Memorandum to Board of Governors No. 17-94, Members - One Per Complex No. 13-94, dated February 16, 1994.) As during this entire process, we would be interested in receiving your views on personal investing - 2 - activities and, in particular, the Advisory Group's recommendations. In this regard, we ask that you please submit your views in writing to Paul S. Stevens, the Institute's General Counsel. The Advisory Group is urging early action on its recommendations by the Board of Governors and the industry. Therefore, the Institute's Board of Governors will convene early this summer to consider the Advisory Group's recommendations. We continue to appreciate your guidance as the industry moves to address this important issue. I look forward to hearing from you. Matthew P. Fink President Attachments