

MEMO# 4119

September 23, 1992

SEC SANCTIONS INVESTMENT ADVISER HOLDING COMPANY FOR SECTION 13 (D) VIOLATIONS

September 23, 1992 TO: INVESTMENT ADVISER MEMBERS NO. 42-92 INVESTMENT ADVISER ASSOCIATE MEMBERS NO. 34-92 COMPLIANCE COMMITTEE NO. 13-92 SEC RULES MEMBERS NO. 40-92 RE: SEC SANCTIONS INVESTMENT ADVISER HOLDING COMPANY FOR SECTION 13 (d) VIOLATIONS _____ The Securities and Exchange Commission recently sanctioned an investment adviser holding company in connection with its failure to make timely filings of statements on Schedule 13D. The SEC found that the holding company had beneficial ownership, for reporting purposes under Section 13(d) of the Securities Exchange Act, of the securities over which its investment adviser subsidiaries had voting or dispositive power. In 1983, the SEC had ordered a predecessor of one of the advisory subsidiaries to comply (and cause its subsidiaries and clients to comply) with Section 13(d) and to adopt procedures reasonably designed to ensure that its clients and subsidiaries would comply with Section 13(d). The SEC found that since the entry of the 1983 order, the holding company and the subsidiary subject to the order had filed approximately 120 statements on Schedule 13D, approximately half of which had not been timely filed. The SEC found that the holding company had violated Section 13(d) and Rules 13d-1 and 13d-2 thereunder, and had failed to cause its subsidiary to comply with the 1983 order. The holding company, without admitting or denying the allegations, consented to (1) a cease-and-desist order, (2) an order that it adopt procedures reasonably designed to ensure that it and its subsidiaries comply with Section 13(d) and Rules 13d-1 and 13d-2, and (3) a penalty of \$175,000 with respect to those violations deemed to have occurred after the effective date of the Securities Enforcement Remedies and Penny Stock Reform Act of 1990. A copy of the SEC's order is attached. Thomas M. Selman Assistant Counsel Attachment