

MEMO# 6426

December 5, 1994

DRAFT LETTER TO SEC REGARDING INVESTMENT ADVISER PRINCIPAL TRANSACTIONS

December 5, 1994 TO: INVESTMENT ADVISERS COMMITTEE No. 58-94 RE: DRAFT LETTER
TO SEC REGARDING INVESTMENT ADVISER PRINCIPAL TRANSACTIONS

_____ As you may recall, in an SEC enforcement order against an investment adviser concerning certain principal transactions, there was a footnote that stated that "The Commission interprets the phrase 'completion of such transaction' under Section 206(3) of the Advisers Act to mean prior to the execution of the transaction." (Emphasis added.) (See Memorandum to Investment Adviser Members No. 38-94, Investment Adviser Associate Members No. 33-94, dated August 19, 1994.) At the October 26 Investment Advisers Committee meeting, several members expressed significant concern about the SEC's interpretation of the phrase "completion of such transaction", noting that industry practice is to obtain client consent prior to settlement. It was decided at that meeting that the Institute would submit a letter to the SEC requesting it to reconsider its interpretation. Attached for your review is a draft letter to the SEC on this matter. Please provide me with comments on the letter by December 21, 1994. I can be reached at 202/326-5824. Amy B.R. Lancellotta Associate Counsel Attachment

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