

MEMO# 3893

June 29, 1992

SEC CENSURES ADVISER TO INVESTMENT COMPANIES FOR VIOLATIONS CONCERNING THE REPORTING OF PERSONAL SECURITIES TRANSACTIONS

June 29, 1992 TO: SEC RULES MEMBERS NO. 29-92 INVESTMENT ADVISER MEMBERS NO. 34-92 COMPLIANCE COMMITTEE NO. 7-92 RE: SEC CENSURES ADVISER TO INVESTMENT COMPANIES FOR VIOLATIONS CONCERNING THE REPORTING OF PERSONAL SECURITIES TRANSACTIONS _____ The Securities and Exchange Commission recently censured an investment adviser to a family of mutual funds for alleged violations under the Investment Company Act of 1940 and the Investment Advisers Act of 1940 in connection with certain personal transactions. Specifically, the SEC alleged that, based on its finding that approximately 30% of all personal securities transactions reports of access persons of the adviser's portfolio department were not timely filed, the adviser failed to use reasonable due diligence and to institute procedures reasonably necessary to prevent violations of the adviser's Code of Ethics, in violation of Section 17(j) of the Investment Company Act and Rule 17j- 1(b)(1) thereunder. In addition, the SEC found that the adviser failed to keep a current record of personal securities transactions in violation of Section 204 of the Advisers Act and Rule 204-2(a)(12) thereunder. The adviser was also found to have failed to supervise the timely filing of such reports with a view toward preventing violations of Section 17(j) and Rule 17j- 1(c)(2), as required by Section 203(e)(5) of the Advisers Act. The adviser, without admitting or denying the SEC's findings, consented to a censure and represented that it would adopt procedures reasonably designed to ensure compliance with Section 17(j) of the Investment Company Act and Rule 17j-1 thereunder. A copy of the SEC's Order is attached. Amy B.R. Lancellotta Associate Counsel Attachment