Fidelity and Peter Lynch Settle “Gift” Case

By Clifton N. McIntire, Jr., CIMA®, CFP®

According to a Securities and Exchange Commission (SEC) statement released on March 5, 2008, Peter Lynch “obtained numerous free gifts to concerts, theater and sporting events paid for by outside brokers.” To settle the case without admitting or denying any wrongdoing, Mr. Lynch repaid the money ($15,948) and interest ($4,183). Fidelity, also without admitting or denying any wrongdoing, has agreed to pay an $8-million penalty to settle the matter with the SEC. This is a shot across the bow to all of us in the financial services industry. SEC Deputy Director of Enforcement Walter Riccardi has said, “If higher-ups request tickets from a trading desk it may send a message to the traders that such misconduct is tolerated and could contribute to the breakdown of the compliance culture on the desk.”

We have an obligation to our clients to serve their financial interests. From the moment a representative of a mutual fund, insurance company, or money manager picks up the tab for your lunch, you must ask yourself the following: Am I accepting anything that would compromise our code of ethics and influence us in any way to take an action that was not in the best interests of our clients? Hardly a day goes by that some unethical conduct isn’t reported in the papers. Let’s not have any of our names included. Be on guard; protect yourself and your clients.

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Endnotes