

# PUTNAM INVESTMENTS

August 30, 1999

Mr. Arthur Levitt  
Chairman  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, DC 20549

Dear Chairman Levitt:

We were pleased to read the SEC's recent pronouncements on personal trading by investment company personnel, but on a personal basis, I don't think they went far enough. Nor do they go as far as Putnam's Code of Ethics, or as far as the 1994 ICI Advisory Group Report on Personal Investing. Immediately upon reading the first news story, I asked Putnam's Legal Department to issue a clarifying memo which reminded our staff Putnam's rules supercede yours, in places where they were more stringent. I attach a copy.

My prime concern is on new issues. At Putnam, we handle that simply. They are prohibited, whether the funds are interested in the issue or not. This is an area replete with opportunity for conflict and perception of conflict. In an environment where allocations can be considered a favor for past business, mixing personal interest with professional obligation is asking for trouble. I'm sure this was debated within the Commission. There must be reasons why it was decided to adopt a standard short of Putnam's prohibition.

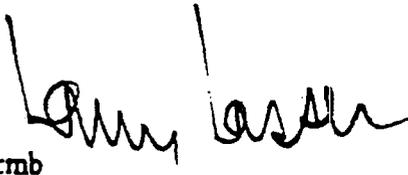
My interest in this is industry-based. We've handled Putnam's risks on our own. For the investing public, I fear the distinction between a company such as Putnam and a less experienced, less diligent organization may be less important than that both are mutual fund companies. To a greater degree than we wish was true, the integrity of the industry may loom larger in the public mind than do distinctions among firms. I commend what you've done, but wish the Commission had gone the extra step.



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OFFICE OF THE CHAIRMAN

On a personal note, I've spoken with John Rivera Dirks who seems happy at Apple and in living in Los Gatos. Ethan returned from seven weeks of backpacking and canoeing in the Yukon, moved into his new apartment on West 82<sup>nd</sup> Street and then left for a long weekend reunion with John and their other friends in San Francisco. He begins at Sotheby's after Labor Day.

Best personal regards,

A handwritten signature in cursive script, appearing to read "Larry Lasser". The signature is written in dark ink and is positioned above the typed name "LJL:mb".

LJL:mb  
Enclosure

## MEMORANDUM

TO: Putnam Officers

FROM: William H. Woolverton

DATE: August 25, 1999

SUBJECT: Code of Ethics - Personal Trading

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You may have read reports in the press that the SEC has approved rules relating to personal trading by mutual fund portfolio managers. A copy of The Wall Street Journal article on this subject is attached.

Putnam's Code of Ethics already reflects the substance of the SEC's new rules. However, the Putnam Code goes beyond the SEC's new rules in at least one important area by prohibiting participation in IPO's by all employees.

The restrictions in Putnam's Code of Ethics were up-dated several years ago to include recommendations made by a mutual fund industry "blue ribbon" panel. As a result, Putnam's Code is fully in line with industry practice. This includes the prohibition on investing in IPO's and other restrictions.

It is important to remember that while some of the new SEC rules may be more lenient than the Putnam Code of Ethics, it is the Putnam Code that applies to personal trading by Putnam employees, not the SEC rules.

Please contact me or Andy Hachey in the Legal/Compliance Department with any questions about personal trading or Putnam's Code of Ethics.

WHL

cc Lawrence J. Lasser  
Robert F. Lucey