

SEC NEWS DIGEST

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COMMISSION ANNOUNCEMENTS

CLOSED MEETING - THURSDAY, JANUARY 15, 1998 - 10:00 A.M.

The subject matter of the closed meeting scheduled for Thursday, January 15, 1998, at 10:00 a.m., will be: Institution and settlement of injunctive actions; and Institution and settlement of administrative proceedings of an enforcement nature.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary at (202) 942-7070.

ENFORCEMENT PROCEEDINGS

COMMISSION SUSTAINS NASD SANCTIONS AGAINST LAURENCE ZIPKIN AND REMANDS SANCTIONS AGAINST EQUITY SECURITIES TRADING CO., INC. AND NATHAN NEWMAN

The Commission sustained NASD findings that Laurence Stuart Zipkin made sales of "hot issues," in violation of the NASD's Free-Riding and Withholding Interpretation. The Interpretation prohibits sales of "hot issues" to a broker-dealer or its associated person. A hot issue is a security issued in a public offering that begins trading at a substantial premium. Zipkin made sales to CBOE "local traders," who were each either a broker-dealer or associated with a broker-dealer. The Interpretation is designed to prevent broker-dealers from withholding hot issues until the aftermarket. Zipkin was censured and fined \$2500.

The Commission found that Equity Securities Trading Co., Inc. and its president, Nathan Newman, failed to supervise Zipkin. Newman reviewed all firm accounts for hot issue restrictions and knew that the particular local traders were CBOE members. The Commission found however that the record did not demonstrate that Equity and Newman had sufficient notice that a second Equity registered representative had engaged in an unrelated violation of the Interpretation. The Commission remanded the NASD's sanctions of

Equity and Newman for further consideration. (Rel. 34-39520; File 3-9192)

COMMISSION DISMISSES WITHOUT PREJUDICE ADMINISTRATIVE ACTION AGAINST RICHARD CANNISTRARO

The Commission has summarily affirmed the decision of an administrative law judge dismissing without prejudice the Commission's administrative action against Richard Cannistraro.

On October 9, 1996, the Commission instituted administrative proceedings to bar Cannistraro from association with a broker-dealer on the basis of his criminal convictions entered in September 1987 and March 1993 and a civil injunction, entered in June 1996, which was based upon the 1987 criminal conviction.

Cannistraro thus far has evaded service of the order instituting this proceeding (Order), and the Division of Enforcement moved the law judge for suspension of the hearing in this matter until it is able to serve Cannistraro with the Order. The law judge held that the Commission's Rules of Practice do not permit her to suspend the hearing in this matter indefinitely, and dismissed the matter without prejudice, thereby giving leave to the Commission to reinstitute the proceeding should it locate Cannistraro.

The Commission summarily affirmed the law judge's decision. (Rel. 34-39521; File No. 3-9140)

ORDER GRANTING MOTION TO DISGORGE FUNDS THROUGH THE BANKRUPTCY COURT

The Commission has granted the Division of Enforcement's motion to consolidate and distribute funds disgorged by F.N. Wolf & Co., Inc. through the auspices of the United States Bankruptcy Court for the Southern District of New York. In October 1994, the Commission had instituted an administrative proceeding against Wolf, in which disgorgement of \$2,580,239 plus prejudgment interest was assessed. The Commission had previously brought two actions against Wolf in federal district court, in which the courts also assessed disgorgement.

Wolf filed for bankruptcy in August 1994. The Commission filed a consolidated proof of claim in the Wolf bankruptcy for these three matters. Pursuant to an order by the Bankruptcy Court, Wolf and its parent, Wolf Financial Group, Inc., were required to pay \$1 million in satisfaction of this claim. These funds are currently being held in the registry of the Bankruptcy Court.

The Division of Enforcement sought to have these funds consolidated and distributed to injured investors under the auspices of the Bankruptcy Court. The Commission determined that the Bankruptcy Court is in a position to provide the most efficient and equitable method of distribution and therefore granted the Division's motion. (Rel. 34-39522; File No. 3-8533)

COMMISSION SUSTAINS NASD SANCTIONS AGAINST CASTLE SECURITIES CORPORATION AND MICHAEL STUDER

The Commission sustained NASD findings that Castle Securities Corporation manipulated the common stock of a newly formed "blind pool" company and charged excessive and fraudulent markups. The Commission also sustained findings that the firm and Michael T. Studer, its president and treasurer, failed to establish adequate supervisory procedures and supervisory system to detect and prevent the manipulation and excessive markups. The firm was censured, fined \$25,000 (jointly and severally with Studer) and ordered to pay restitution of \$13,686.05 plus interest (also jointly and severally with Studer). Studer also received a 30-day suspension in all capacities and was required to requalify as a general securities principle.

The blind pool company had no operating history, inexperienced management, and no business plan other than the proposed acquisition of an unspecified business. Castle acted as an exclusive underwriter of the initial public offering of the blind pool on a "best efforts, all or none" basis, for a minimum offering of 7,000 units, selling a total of 8,290 units to fifteen customers, twelve of whom had been referred by the company.

The Commission found that Studer caused Castle to become listed as a market maker for the company, but without any price quotations. Although he had no direct involvement in Castle's pricing in the secondary market of the company, Studer allowed a Castle branch manager to establish prices for all of Castle's transactions in the company and did not actively supervise the branch manager.

Further Castle's written supervisory procedures also were deficient and made possible the manipulation and markup violations. Studer did not monitor the performance of the person to whom he delegated compliance functions nor supervise the branch manager's activities after he allowed him to make a market in the company. (Rel. 34-39523; 3-9188)

SEC v. THE TRUST GROUP, LTD.

On December 30, 1997, the United States District Court for the Eastern District of Kentucky entered final judgments of permanent injunction against defendants The Trust Group, Ltd. (TTG), Jeffrey M. Mortiz, Sandra L. Kalez, Laurent M. Gerschel, and T. Robert Hughes, whom the Commission had alleged were involved in a "Prime Bank" note scam. The Court also ordered the defendants to pay, jointly and severally, a \$50,000 civil penalty.

The defendants consented to the entry of the permanent injunctions and civil penalty without admitting or denying the allegations in the complaint. The injunctions prohibit the defendants from violating Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, which are the principal antifraud provisions of the federal securities laws. For further information, see Litigation

INVESTMENT COMPANY ACT RELEASES

FINANCIAL INSTITUTIONS SERIES TRUST, ET AL.

An order has been issued on an application filed by the Financial Institutions Series Trust, et al., under Section 11(a) of the Investment Company Act permitting certain offers of exchange of shares between a money market fund in the Merrill Lynch group of investment companies and non-money market funds in other groups of investment companies. (Rel. IC-22992 - January 6)

TORONTO DOMINION HOLDINGS (U.S.A.), INC.

An order has been issued on an application filed by Toronto Dominion Holdings (U.S.A.), Inc. under Section 6(c) of the Investment Company Act for an exemption from all provisions of the Act. The order permits Toronto Dominion Holdings (U.S.A.), Inc. to sell certain debt securities and use the proceeds to finance the business activities of its parent company, The Toronto-Dominion Bank (TD) and other companies controlled by TD. (Rel. IC-22993; International Series Rel. 1110 - January 6)

SELF-REGULATORY ORGANIZATIONS

APPROVAL OF PROPOSED RULE CHANGE

The Commission approved a proposed rule change filed by the Chicago Stock Exchange (SR-CHX-97-28) amending the CHX's clearing the post policy for cabinet securities. Publication of the proposal is expected in the Federal Register during the week of January 12. (Rel. 34-39519)