

sec news digest

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October 4, 1974

COMMISSIONER SPEAKS

OCT 7 1974

COMMISSIONER EVANS URGES A REVIEW OF GLASS-STEAGALL ACT

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On October 3, 1974, in San Francisco, Commissioner Evans addressed a meeting of the Practising Law Institute discussing "Banks and the Securities Laws in 1974." Commissioner Evans observed that there is too much at stake for either the banking and securities industries to retreat from respective positions regarding Glass-Steagall limitations without a major struggle. As this struggle involves the interpretation of federal law, the Commissioner noted that "Since Congress believed it appropriate in 1933 to limit competition between commercial and investment banking by statute, federal agency officials and elected members of Congress have a responsibility to review and reevaluate that determination periodically and decide anew whether, in an economy that is substantially different from that which existed in 1933, it is appropriate to retain, extend, restrict even further or remove Glass-Steagall limitations. Such an in-depth review, in my opinion, is overdue."

In discussing some of the fundamental factors that should be considered in such a review, Commissioner Evans pointed out that, in the absence of changes in present conditions, it is possible that economic forces alone will resolve this issue. "If basic national economic policies are not adopted to bring about reasonable price stability and interest rates more in line with investors' view of business enterprise ability to earn future profits, we may well witness a restructuring of the entire capital raising mechanism of this country -- a restructuring brought about by economic pressures in which ownership of American business would become more concentrated and in which a relatively few large institutions could dominate our capital markets and thus exercise a substantial degree of control over the development of our economy." In commenting on the possible results of a Glass-Steagall review, the Commissioner added that, "If a separate securities industry cannot continue to remain viable and meet projected demands for equity and long term debt capital without a clear separation and legal protection from commercial bank competition, in the absence of such protection, the present functions of the securities industry in raising debt and equity capital would have to meet increasingly and, eventually, perhaps completely, through commercial banks and their affiliates and this possible concentration of power must be weighed carefully by policy makers. The Commissioner stated in conclusion that; "In my opinion there must also be a Congressional resolution as to whether the present evolution of bank securities activities is in the public interest. Absent such a resolution, it is quite possible, in fact, most probable, that economic forces themselves will decide this issue. Thus, inaction is a decision in this instance, and in view of the possible ramifications of present market developments, governmental resolution of this growing confrontation between the banking and securities industries is imperative."

COMMISSION ANNOUNCEMENTS

PHASE I OF CONSOLIDATED TAPE POSTPONED FOR TWO WEEKS

The Securities and Exchange Commission announced that, on October 2, 1974, in response to a request by the New York Stock Exchange, it had determined not to raise any objection if the implementation of Phase I of the consolidated tape is deferred for one

SEC
40th
ANNIVERSARY

REMEMBER SEC 40TH ANNIVERSARY/RESERVE NOW, PAY LATER

The SEC 40th Anniversary Celebration will be held on October 24, 1974, at the Statler Hilton, 16th and K Sts., N.W., Washington, D.C. For additional information and registration form see page 3 of the Digest.

two-week period from October 4, 1974 to October 18, 1974, to permit an appropriate period of time in which to attempt a resolution of certain educational and mechanical problems the New York Stock Exchange believes may arise as a result of the Commission's recent amendments to its short-selling rules -- Securities Exchange Act Rule 3b-3, 10a-1 and 10a-2. The Commission's determination is based upon assurances it had received that the New York Stock Exchange would not request any further delay in the implementation of the Phase I period, and that the two-week postponement would not result in any delay in the commencement of Phase II of the consolidated tape of February 21, 1975. (Rel. 34-11036)

SAMUEL S. STEWART, JR. APPOINTED
CHIEF FINANCIAL ANALYST, DIVISION OF
INVESTMENT MANAGEMENT REGULATION

Allan S. Mostoff, Director of the Division of Investment Management Regulation, has announced the appointment of Samuel S. Stewart, Jr. to the position of Chief Financial Analyst of the Division. Dr. Stewart, who will be responsible for the development and execution of the non-legal aspects of the Division's regulatory program, is a native of Salt Lake City, Utah. He holds a BSBA from Northwestern University, and an MBA and a PhD in Finance from Stanford University. Prior to joining the Commission, Dr. Stewart was an Associate Professor at the Columbia Graduate School of Business. Most recently he was a Visiting Associate Professor at the University of Utah. He has also undertaken a wide variety of private consulting assignments. Dr. Stewart is married to the former Pam Kimball and is the father of one child.

ORDERS FOR PUBLIC PROCEEDINGS

FIRST EASTERN INVESTMENT
CORPORATION, OTHERS

Public Administrative Proceedings have been ordered against First Eastern Investment Corporation, a registered broker-dealer formerly located in Red Bank, New Jersey, Jack Stephen Skakandy of Tequesta, Florida and Thomas M. Flaherty of Hazlet, New Jersey.

The Commission's order is based upon allegations by its staff that First Eastern committed violations of the net capital, bookkeeping and supplemental reporting rules under the Securities Exchange Act of 1934, as well as Skakandy and Flaherty's wilful aiding and abetting of these violations. The order further alleges that First Eastern, Skakandy and Flaherty wilfully violated and wilfully aided and abetted violations of the antifraud provisions of the securities laws. In addition, Flaherty and Skakandy are charged with failing to supervise other persons under their supervision with a view to preventing the alleged violations. A hearing will be scheduled to take evidence on the charges against the defendants. (Rel. 34-11037)

COURT ENFORCEMENT ACTIONS

AMERICAN SHIP BUILDING COMPANY AND
GEORGE M. STEINBRENNER III ENJOINED

The SEC today announced the entry of orders of permanent injunction in the U.S. District Court for the District of Columbia against the American Ship Building Company and George M. Steinbrenner III from filing material false and misleading annual reports on behalf of American Ship Building Company in violation of Section 13(a) of the Securities Exchange Act of 1934, soliciting proxies from American Ship Building Company shareholders in violation of Section 14(a) of the Securities Exchange Act of 1934, making or causing to be made false and fictitious entries in the books and records of the American Ship Building Company, and certain ancillary relief. (LR-6534)

FURTHER RELIEF OBTAINED AGAINST
MATTEL, INC.

The Commission announced that on October 2 the Honorable Gerhard A. Gesell, Judge of the U.S. District Court for the District of Columbia, in an Amended Judgment, granted additional relief against Mattel, Inc., as requested by the Commission. Mattel consented to the Amended Judgment without admitting or denying allegations in the Commission's Application for Further Relief. The court also ordered the transfer of the case to the U.S. District Court for the Central District of California.

The Court had earlier on August 5, 1974 permanently enjoined Mattel from violating the antifraud and corporate reporting provisions of the Securities Exchange Act of 1934

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SEC 40TH ANNIVERSARY CELEBRATION

The SEC wishes to invite all past employees to attend its 40th Anniversary Celebration to be held on October 24, 1974, at the Statler Hilton in Washington. The price will be \$25 per person for all former employees. The dress is optional.

RESERVE NOW, PAY LATER -- To facilitate planning of the dinner, the Committee will accept indications of interest for the reservation of complete tables, even if they are at this moment incomplete, without payment of the entire cost of the table. Thus, if you are reasonably sure that you will be reserving a table -- even if you have not obtained confirmations from all of your party -- please notify Ms. Betty Lear at (202) 755-1114 and send in your reservation form. In the event that you are unable to fill your table, you will not be responsible for unused seats.

DINNER RESERVATION & REGISTRATION FORM

To The SEC Anniversary Committee:

Herewith is my check or money order in the amount of \$_____ for which please issue _____ tickets to the SEC 40th Anniversary Celebration for the following persons (please PRINT names as they should appear in the Anniversary Program, listing married couples as "Mr. and Mrs."):

Please send the tickets to:

(Name)

(Address)

Please seat the persons listed above with the following additional persons (please PRINT names):

Make checks or money orders payable to "SEC Anniversary Committee," and mail to

SEC Anniversary Committee, Room 856
Securities and Exchange Commission
Washington, D. C. 20549

Present staff members and employees may make payment to Lawrence A. Friend, Treasurer, in Room 502.

(Exchange Act) and ordered Mattel to appoint two additional unaffiliated directors and to establish a Financial Controls and Audit Committee and a Litigation and Claims Committee. The Commission's complaint in this action was based on events occurring in Mattel's 1973 fiscal year and thereafter. (See Litigation Release No. 6467 of August 8, 1974). The Commission filed its Application for Further Relief after being advised by Mattel of preliminary information which, in the Commission's view, indicates that Mattel's published financial statements for the fiscal years ended January 30, 1971, and January 29, 1972 and for interim periods during the fiscal year ended January 29, 1972 misstate in material respects the financial condition and results of operations at and for the periods covered thereby and that the financial statement of Mattel for prior and subsequent periods might also be affected. (See Litigation Release No. 6531 for further information concerning the Application.)

As a part of the additional relief in the Amended Judgment the Court ordered: (1) Mattel to appoint and maintain a Board of Directors, a majority of which would be unaffiliated with Mattel, satisfactory to the Commission and approved by the Court; (2) Mattel to maintain a majority of the new unaffiliated directors on its Executive Committee; (3) Mattel to amend its filings with the Commission as necessary in order that they not contain any misstatements or omissions of material facts; (4) A majority of the new unaffiliated directors to appoint a Special Counsel, satisfactory to the Commission and approved by the Court, to investigate matters raised in the Commission's Complaint and Application for Further Relief; to file a report with the Court of his findings and recommendations; and, as approved by the new directors, institute actions on behalf of the Company against past or present officers, directors and others; and (5) The Special Counsel to retain a Special Auditor satisfactory to the Commission, the Court, and Mattel, to audit the 1971 and 1972 financial statements and other statements as requested, and to file within four months a report of his findings with the Court and the Commission. (SEC v. Mattel, Inc., D. DC Civil Action No. 74-1185). (LR-6532)

TRADING SUSPENSIONS

ADDITIONAL ACTION ON FIVE TRADING SUSPENSIONS

The SEC has announced the suspension of (a) exchange and over-the-counter trading in the securities of Canadian Javelin Ltd., and over-the-counter trading in the securities of Royal Properties, Inc. and Winner Industries, Inc. for the further ten-day period Oct. 5 - 14, inclusive; and (b) exchange and over-the-counter trading in the securities of BBI, Inc., and over-the-counter trading in the securities of Nicoa Corp. for the further ten-day period Oct. 6 - 15, inclusive.

SECURITIES ACT REGISTRATIONS

REGISTRATIONS EFFECTIVE

Oct. 3: Alabama Bancorporation, 2-51839; Caesars World, Inc., 2-39202; Compass Growth Fund, Inc., 2-51743; Dial Financial Corporation, 2-47872; First Bankshares Corp. S.C., 2-51829; IDS Bond Fund, Inc., 2-51586; New York State Electric and Gas Corp., 2-51920; Public Service Electric and Gas Co., 2-51849; Ultrasonic Systems, Inc., 2-51818.

NOTICE

Many requests for copies of documents referred to in the SEC News Digest have erroneously been directed to the Government Printing Office. Copies of such documents and of registration statements may be ordered from the Public Reference Section, Securities and Exchange Commission, Washington, D.C. 20549. The reproduction cost is 15¢ per page plus postage (\$2 minimum) and 30¢ per page plus postage for expedited handling (\$5 minimum). Cost estimates are given on request. All other referenced material is available in the SEC Docket.

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