COPY

OFFICE OF
THE CHAIRMAN

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

June 2, 1965

Honorable Wright Patman
Chairman, House of Representatives
Committee on Banking and Currency
Washington, D. C.

Re: H.R. 7372

Dear Mr. Chairman:

Pursuant to your letter request of April 14, 1965 for a report on the above bill and later advice that the Committee asked that I testify at the hearings on the bill, I transmit 100 copies of the testimony which I proposed to give at the hearings.

While we have made an advance informal submission of the substance of our views to the Bureau of the Budget and transmitted a draft copy of the testimony late last week, we have not yet received formal clearance. We will advise you further as soon as we have additional word from the Bureau.

Sincerely yours,

Manuel F. Cohen
Chairman

Enclosures

WPNorth/fs

STATEMENT OF MANUEL F. COHEN, CHAIRMAN OF THE SECURITIES AND EXCHANGE COMMISSION BEFORE THE COMMITTEE ON BANKING AND CURRENCY OF THE HOUSE OF REPRESENTATIVES ON H.R. 7372

Mr. Chairman and members of the Committee, I am Manuel F. Cohen, Chairman of the Securities and Exchange Commission.

We are here today to testify on H.R. 7372. This bill would amend the Bank Holding Company Act of 1956 by repealing the provision of that Act which, in effect, exempts therefrom any company which is registered under the Investment Company Act of 1940 and was so registered prior to May 15, 1955, or which is affiliated with any such registered company within the meaning of the Investment Company Act of 1940. Under Sections 2(a)(2) and 2(a)(3) of the Investment Company Act of 1940, a company is affiliated with another company if it either, directly or indirectly, owns or controls 5 percent or more of the outstanding voting securities of such other company, or if such other company owns or controls, directly or indirectly, 5 percent or more of its outstanding voting securities, or if it, directly or indirectly, controls, is controlled by or is under common control with such other company.

The objectives of the Bank Holding Company Act of 1956, as stated in the Report of the Senate Committee on Banking and Currency on S. 2577 which became the 1956 Act, are "to define bank holding companies, control their future expension and require divestment of their non-banking interests" (S. Rep. No. 1095 on S. 2577, 84th Cong., 1st Sess., July 25, 1955). The Bank Holding Company Act defines a bank holding company as any company which (1) directly or indirectly owns, controls, or holds with power to vote 25 percent or more of the voting shares of each of two or more banks or of a bank holding company, or (2) controls the election of a majority of the directors of each of two or more banks.

The salient provisions of the Bank Holding Company Act make it unlawful for a company to become a bank holding company without prior approval by the Federal Reserve Board. Among other things, approval by the Federal Reserve Board is required for acquisition by a bank holding company of 5 percent or more of the voting stock of any bank.

The Bank Holding Company Act also prohibits a bank holding company from acquiring ownership or control of any voting shares of any company which is not a bank, and generally prohibits a bank holding company from engaging in any business other than that of banking, or of the managing of and furnishing services to, banks of which it owns 25 percent or more of the voting shares. The Commission was not requested to, nor did it, comment on any aspect of the Bank Holding Company Act while that bill was being considered by the Congress.

The legislative history of the Bank Holding Company Act indicates that the exemption in question was included because it was believed that registered investment companies are adequately supervised by the Commission and that regulation under the Investment Company Act would make it unnecessary to subject such companies to the Bank Holding Company Act, and also that it was desired to avoid dual regulation. Thus, the Senate Committee Report I just mentioned explained the reasons for the exemption as follows:

> "The exemption for companies registered under the Investment Company Act of 1940 is included in the bill on the theory that any such company is adequately supervised by the Securities and Exchange Commission, which administers that act. Among the purposes listed in that act are the mitigation of undue concentration of the control of investment companies through pyramiding or inequitable methods of control, the mitigation of

inequitable distribution of such companies, and the mitigation of irresponsible management of such companies. Your Committee believes that SEC regulation in such cases is closely akin to the purposes of this bill and that it is therefore unnecessary to require a registrant under the Investment Company Act of 1940 to be subjected to the additional regulatory authority granted to the Board of Governors of the Federal Reserve System by this bill."

In 1958, however, the Board of Governors of the Federal Reserve System in its Report to Congress on the first two years of the administration of the Bank Holding Company Act indicated a contrary view, saying:

"It was presumably based on the mistaken theory that a registered investment company is subject to such supervision and restrictions under the Investment Company Act as to make it unnecessary for it to be regulated under the Bank Holding Company Act. Actually, the Investment Company Act is aimed primarily at protecting investors; it does not prevent any registered investment company from acquiring control of banks or require such a company to divest itself of non-banking interests. There is no plausible reason why a registered investment company which otherwise meets the definition of a bank holding company should be exempted from regulation under the Bank Holding Company Act. The exemption clearly should be repealed." (Report of the Board of Governors of the Federal Reserve System, Senate Committee on Banking and Currency, May 7, 1958.)

The purpose of the Investment Company Act is to protect investors in the securities of investment companies. The apparent purpose of the Bank Holding Company Act is to control the expansion and operation of bank holding companies in furtherance of federal bank regulatory policy. Since the Commission is not responsible for federal bank regulatory policy, we express no view as to whether or not enactment of the bill would further that policy. We believe, however, that enactment of the bill would not in any way conflict with the policies of investor protection expressed in the Investment Company Act nor would it create any problems for the Commission in the administration of the Investment Company Act.

Furthermore we do not believe that enactment of the bill would result in undesirable dual regulation. If a registered investment company became subject to the Bank Holding Company Act this would not, in and of itself, relieve that company from the requirements and prohibitions of the Investment Company Act. There is an exemption in Section 3(c)(4) of the Investment Company Act for certain "holding company affiliates" as defined in Section 221(a)(c) of the Banking Act of 1933 if certain conditions are met. This, however, would not necessarily exempt a bank holding company from the Investment Company Act since the definition of "holding company affiliate" in the Banking Act of 1933 differs substantially from the definition of a bank holding company in the Bank Holding Company Act.

It appears, however, that in at least the great majority of instances, if a registered investment company were required to conform to the requirements of the Bank Holding Company Act, it would thereby be compelled to take steps which when completed would entitle it to an exemption under the Investment Company Act. This results primarily from the requirement that a bank holding company must divest itself of its non-banking interests. When such divestiture was completed, the bank holding company would ordinarily become engaged in the business of banking directly or through its subsidiaries rather than in the business of investing and re-investing or trading in securities, and this would result in its being exempted from the Investment Company Act under any one of seve provisions contained in Section 3 of that Act, particularly Section 3(b)(1) or (2) or Section 3(c)(7). Conversely, an investment company which was als a bank holding company could divest itself of its banking interests and thereby take itself outside of the scope of the Bank Holding Company Act while remaining under the Investment Company Act. About the only exception would be a company the portfolio investments of which consisted, in minor part, of a 25 percent voting interest in two or more banks and in major part of lesser interests in numerous other banks, or which in some other manner controlled the election of a majority of the board of directors of two or more banks. We know of no such situation. But if it should arise, dual regulation would not appear inappropriate as such a company would be within the policy and purposes of both Acts.

The only company we know of which is exempt from the Bank Holding Company Act pursuant to the exemptive provisions sought to be repealed by H.R. 7372 is Financial General Corporation. That situation comes about as follows: The Equity Corporation, which is a closed end, non-diversified management registered investment company, as of February 15, 1965, owned 14.7 percent of the outstanding voting securities of Financial General Corporation. This means that Financial General Corporation is an affiliate of The Equity Corporation. Since at that date International Bank owned 29.8 percent of the outstanding voting securities of Financial General Corporation, International Bank is an affiliated person of an affiliated person (i.e., Financial General Corporation) of The Equity Corporation. Neither Financial General Corporation nor International Bank is a registered investment company. On June 4, 1964 upon application and after a public hearing, the Commission issued an order (Investment Company Act Release No. 3986) declaring that International Bank was not an investment company. From the record of this proceeding it appears that both of these corporations are primarily engaged in a business other than that of investing, reinvesting, owning, holding or trading in securities within the meaning of the 1940 Act.

The Equity Corporation is presumed not to control Financial General Corporation. Section 2(a)(9) establishes a presumption of control where a person owns more than 25 percent of the voting securities of another company. Any person who does not own 25 percent of the voting securities of any company is presumed not to control such company under Section 2(a)(9). Any such presumption may be rebutted by evidence. However, because of the relationship described above, Section 17 of the Investment Company Act makes it unlawful for either Financial General Corporation or International Bank to enter into certain transactions with The Equity Corporation. For example, Financial General and International Bank could not lawfully sell securities or other property to The Equity Corporation unless an application was filed and an order entered under Section 17(b) of the Act. No provision in the Investment Company Act would regulate a transaction between Financial General Corporation and International Bank or between one of these corporations and its subsidiaries. Only dealings by affiliated persons, or affiliated persons of such persons, with the investment company or companies controlled by the investment company, are regulated by the Investment Company Act.

Since The Equity Corporation has elected to be classified as a non-diversified investment company, it is not restricted in the amount of securities of Financial General which it may acquire. Although I understand that International Bank indirectly owns through a subsidiary 2.98 percent of the voting securities of The Equity Corporation, this amount of ownership does not bring into play any provisions of the Investment Company Act.

With the hope that it may be of some assistance to the Committee in its evaluation of the arguments which have been made for and against this exemption, I propose to describe the nature and extent of the regulation which is provided under the Investment Company Act and to consider the extent to which regulation under the Investment Company Act might accomplish the objectives of limiting the expansion of bank holding companies and requiring divestiture of their non-banking interests.

Nature and Extent of Regulation under
the Investment Company Act of 1940

The type of regulation of investment companies provided by the Commission is necessarily related to the objectives of the Investment Company Act of 1940 (hereinafter referred to as the "Act"). Generally stated, the objectives of the Investment Company Act are: (a) honest and more independent management, (b) greater shareholder participation in corporate affairs, (c) creation of adequate and feasible capital structures, (d) use of complete and fairly presented financial statements prepared in accordance with accepted accounting principles, and (e) employment of fair and non-deceptive selling practices.

(a) Honest and More Independent Management

Certain provisions of the Act are intended to prevent undesirable individuals from entering the investment company industry or to provide means for their removal. The Act declares ineligible for certain official capacities in respect of investment companies, without Commission approval, persons who run afoul of securities, banking or insurance laws (Sec. 9). In addition, the Commission is authorized to bring suit to exclude from the investment company industry those who are found to have committed gross misconduct in respect of an investment company (Sec. 36) and to enjoin the consummation of any pl or reorganization (defined to include a merger, dissolution, recapitalizati and sale of 75 percent or more in value of assets (Sec. 2(a)(32)) which wou involve gross misconduct on the part of insiders (Sec. 25(c))). Larceny, embezzlement and conversion of an investment company's property are made federal crimes (Sec. 27).

Other provisions of the Act are designed to minimize possible advers effects on public investors where insiders, however innocently, act in conf of interests situations. This is accomplished by limiting persons who poss may have conflicting interests, i.e., investment bankers, brokers, commerci bankers, principal underwriters, officers of the investment company, etc., specified percentages of the board of directors of an investment company (Sec. 10(a)-(d), inclusive). And the Act specifically provides that the se of the board of directors comprising the group labeled "unaffiliated direct must perform one important function -- approval of the continuance of the advisory and underwriting contracts between the investment company and its investment adviser and principal underwriter -- unless the shareholders themselves approve the continuance of such contracts (Sec. 15). This same objective of circumscribing the unrestricted actions of insiders in instan where they may have a conflict of interests is reflected in provisions tha subject to the disinterested scrutiny and approval of the Commission trans actions between the investment company and affiliated persons acting as principal (Sec. 17(a)) and transactions in which the investment company an the affiliated persons both participate (Sec. 17(d)). When affiliated per act as agent in the sale of property by or to the investment company, they are precluded from receiving any fee (Sec. 17(e)(1)) and when acting as br from accepting any commission except the usual and customary brokerage commissions in securities transactions (Sec. 17(e)(2)). Because a portfolio of securities is readily convertible into cash, the Act requires each registered investment company to maintain its portfolio of securities in the custody of (1) a bank meeting certain qualifications; or (2) a company which is a member of a national securities exchange registered with the Commission under the Securities Exchange Act of 1934; or (3) in its own custody, but only in accordance with rules prescribed by the Commission. Such rules include requirements that the securities be kept in a vault or other depository whose functions and facilities are supervised by Federal or State authority, physically segregated from securities of other persons, and subject to limited access by officers and employees of the investment company (Sec. 17(f) and Rules 17f-1 and 17f-2). The Act also provides for bonding of employees having access to the company's assets (Sec. 17(g)).

Section 10(f) generally prohibits, except if approval is obtained from the Commission, acquisition by a registered investment company of any security of another issuer during the existence of an underwriting or selling syndicate in which the principal underwriter is an officer, director, member of an advisory board, investment adviser or employee of the registered investment company. Such acquisition is also prohibited if any such investment company officer, director, or member of an advisory board, is an affiliated person of the principal underwriter. Finally, the Act prohibits the inclusion in the articles of incorporation or by-laws of any provision which purports to indemnify any director or officer of the investment company against any liability by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of duty (Sec. 17(h)).

(b) Shareholder Participation

Greater shareholder participation in the affairs of investment companies is furthered by the requirement of the Act that management investment companies make each share of stock issued after enactment of the Act a voting stock (Sec. 18(i)). The Commission's proxy regulation applicable to companies registered under the Securities Exchange Act of 1934 governs investment companies in the solicitations of their shareholders' proxies (Sec. 20(a)), and, in addition, supplemental rules have been promulgated which are particularly applicable to investment companies and their investment advisers (Rule 20). To forestall complete freedom of action with respect to investment policies and changes therein, the Act requires investment companies in their registration statements to designate their status as diversified or non-diversified companies, and to describe precisely their investment policies (Sec. 8(b)). Once established, a change in status from diversified to non-diversified or from the fundamental policies cannot be made without the approval of security holders (Sec. 13). Additional protections for investors are the requirements that, except in the case of a common-law trust existing on the date of enactment of the Act (Sec. 16(b)), directors of an investment company be elected by shareholders (Sec. 16(a)), that shareholders ratify the selection of the company's accountants (Sec. 32(a)), that the investment company file with the Commission annual and other periodic reports (Sec. 30(a)-(b)) and disseminate these statements and other information to shareholders (Sec. 30(d)) and that the investment advisory contract (and hence the investment adviser) be approved, at least initially, by shareholders (Sec. 15(a)). This latter provision is largely implemented by the provision of the Act which requires that any advisory contract by its terms must provide for its automatic termination in the event the advisory contract is assigned (Sec. 15(a)(4)), thus preventing a change of advisor without the consent of the shareholders.

(c) Sound Capital Structures

Prior to the passage of the Act, an investment company could be organized with little capital. Complex capital structures of closed-end management companies permitted insiders to control vast sums of the public's fund with a disproportionately small investment of their own. To alleviate this abuse, the Act initially requires that, as a prerequisite to the entry into the investment field and the solicitation of the public's funds, a company is required to possess a net worth of at least $100,000 (Sec. 14(a)).

Registered investment companies generally may not sell redeemable securities directly or through an underwriter except at a current public offering price described in a prospectus (Sec. 22(d)). The price of redeemable securities sold by members of the National Association of Securities Dealers ("NASD") and of common stock issued by closed-end companies may not be less than net asset value (Secs. 22(a), 23(b) and Rule 26(c) of the Rules of Fair Practice of the NASD under Section 22(a)). The right of redemption of redeemable securities may not be suspended or the date of payment postponed for more than seven days after the tender of the security to the company or its agent except during any period when: (a) trading on the New York Stock Exchange is restricted, or such Exchange is closed other than customary week-end and holiday closings; (b) the Commission has by order permitted such suspension; or (c) an emergency as defined by rules of the Commission exists, making disposal of portfolio securities or determination of the value of net assets of the company not reasonably practicable (Sec. 22(e)). No registered management investment company may issue any of its securities for services or for property other than cash or securities, except as a dividend or distribution to its security holders or in connection with a reorganization (Secs. 22(g) and 23(a)).

The Act also prohibits the issuance by management investment companies of long-term warrants or rights to purchase securities issued by such companies (Sec. 18(d)), and restricts the issuance by them of senior securities. In the case of closed-end companies, debt securities upon issuance must have an asset coverage of at least 300 percent, while preferred stock upon issuance must, when added to any outstanding debt securities, have an overall asset coverage of at least 200 percent (Sec. 18(a)). These companies are further limited to one class of debt security and one class of preferred stock (Sec. 18(c)). Open-end companies cannot issue senior securities, except that bank loans may be made if a 300 percent coverage in assets is maintained (Sec. 18(f)). Both with respect to closed-end and open-end companies, the Act contains, among other things, provisions prohibiting the payment of dividends where a company fails to maintain these asset coverage ratios subsequent to the issuance of a senior security (Sec. 18(a)).

Requirements for statutory reserves, restricted investments and a minimum capital stock investment of $250,000 are provisions designed to increase the safety of investment in companies issuing face amount certificates (Sec. 28)).

(d) Proper Record Keeping, Financial Statements and Reports to the Commission

In addition to requiring investment companies periodically to file reports and financial statements with the Commission and to send these statements to their shareholders, the Act empowers the Commission to prescribe the preservation of certain types of books and records which provide the basis of the financial reports filed with the Commission and the financial statements distributed to investors (Sec. 31). The Commission has promulgated comprehensive record-keeping rules applicable to registered investment companies and has also prescribed record-keeping requirements for investment advisers and principal underwriters of registered investment companies. For the added protection of investors, the Commission has promulgated uniform accounting rules governing the form and content of financial statements of investment companies, and providing that investment companies' financial statements in annual reports must be certified by independent public accountants (Regulation S-X, Articles 6 through 6B; Rule 30d-1(b)).

(c) Fair and Non-Deceptive Selling Practices

Congress utilized a part of the existing scheme of the Securities Exchange Act of 1934 -- supervision of registered securities associations, i.e., the National Association of Securities Dealers -- to promulgate rules outlawing unethical practices by its members in the purchase and sale of the securities issued by investment companies. With the advice and coooperation of the NASD, the Commission has issued a Statement of Policy which prohibits certain fraudulent selling practices. In addition, the NASD has published examples of ethical and unethical practices to guide its members in the distribution of investment companies securities.

In the Act provision is made to assure that shares issued by open-end companies are offered to the public at a current public offering price described in a company's prospectus (Sec. 22(d)). The Act regulates the sales load (i.e., the amount of the investors' funds going to those engaged in the distribution process) which may be charged on periodic payment plan certificates (Sec. 27(a)), and provides that national securities organizations or the Commission may prescribe rules designed to eliminate unconscionable or grossly excessive sales charges (Sec. 22(b)). Also prescribed is the form of trust indentures to be used and charges to be made by trustees and sponsors of unit investment trusts (Sec. 26).

The Commission's enforcement of all of the foregoing provisions is implemented by the authority to conduct investigations (Sec. 42(a)), institute civil suits in the Federal courts (Sec. 44), and refer evidence to the Attorney General for criminal prosecution (Sec. 42(e)).

Disclosure Requirements

Each company required to be registered under the 1940 Act must file a detailed registration statement, as provided by Section 8(d), containing information and documents similar to those required for the registration of securities under the Securities Act of 1933 and the Securities Exchange Act of 1934; that is, making extensive disclosure of the business activities, assets and financial condition of the registrant. In addition, that provision requires a recital of the fundamental policies of the investment company, a list of affiliated persons and their other affiliations, and a statement of the business experience of each officer and director for the past five years.

Sections 30(a) and 30(b)(1) provide for annual and semi-annual or quarterly reports to be filed with the Commission to keep current the information and documents contained in the registration statement. Semi-annual reports to stockholders containing specific types of information are required by Section 30(d).

Pursuant to authority granted by Sections 8(b), 30(d) and 30(e), the Commission has promulgated rules specifying the form and content of financial statements contained in reports filed with the Commission.

Section 24(b) requires the sales literature of open-end companies, unit investment trusts and face-amount companies to be filed with the Commission within ten days after use.

Section 19 requires a written statement describing the source of dividend payments to accompany such payments.

The Commission pursuant to Section 20 has also issued rules governing the solicitation of proxies. Such rules, among other things, require that proxy material must be filed with the Commission prior to distribution to stockholders and set forth specific requirements for the form and content of proxies and proxy statements.

Regulation of Expansion and Divestment
under the Investment Company Act of 1940

The Investment Company Act of 1940 contains no provisions which are directly designed either to control the expansion of investment companies or to require the divestiture of interests either related or not related to a particular industry, such as banking. Certain provisions of the Investment Company Act, however, limit the types or amounts of securities which may be acquired by an investment company, and this may have an indirect impact. For example, if an investment company elects to be classified as a diversified management company, then under Section 5 of the Investment Company Act ~~not more~~ at least ~~than~~ 75 percent of the value of its assets ~~may~~ must be ~~invested in securities of any one issuer, including a bank, which will (a) have a value equal to~~ more ~~than~~ 5 percent of the value of the total assets of the investment

represented by cash and cash items (including receivables), Government securities, securities of other investment companies other securities limited in respect to any one issuer to an amount not greater than (a) company or (b) constitute more than 10 percent of the outstanding voting securities of such issuer. This might limit an investment company which chose to classify itself as a diversified company from acquiring or holding control of banks or of non-banking interests except out of the remaining 25 percent of its assets. Under Section 10(c) of the Investment Company Act, no registered investment company may have a majority of its board of directors consisting of persons who are officers or directors of any one bank. This might restrict the operations of an investment company which was also a bank holding company. The Commission would, however, have power to grant exemption from this provision if it was able to find that such exemption was necessary or appropriate in the public interest and consistent with the protection of investors and the purposes of the Investment Company Act.

Section 12(d)(1) of the Act prohibits pyramiding of investment companies by making it unlawful for any registered investment company and any companies controlled by it to acquire any security of any other investment company, if as a result of such acquisition the investment company or controlled companies will own in the aggregate more than 5 percent of the outstanding voting securities of such other investment company, where such other company's policy is the concentration of investments in a particular industry or group of industries, or more than 3 percent where the policy of the other company is not to concentrate its investments. However, if an investment company holds

25 percent or more of the voting securities of another investment company, there is no limitation on additional acquisitions of the voting securities of that company. Section 12(e) provides another exception in allowing acquisitions by a registered investment company of securities of another investment company if the latter company is a so-called "venture capital company", that is, engaged or proposing to engage in the business of furnishing capital to industry, purchasing securities of issuers for which no ready market is in existence or similar activities, provided certain conditions are met.

Section 12(d)(2) also prohibits a registered investment company and any companies controlled by it from acquiring any security issued by any insurance company if such registered company and controlled companies own in the aggregate, or as a result of such acquisition will own in the aggregate, more than 10 percent of the total outstanding voting securities of such insurance company (except a security received as a dividend or as a result of a plan of reorganization of any company). However, the Section permits acquisition by an investment company of additional shares of an insurance company if 25 percent or more of the voting securities of the insurance company is held by the investment company.

Section 12(d)(3) prohibits a registered investment company and any companies controlled by it from acquiring securities of companies engaged in the brokerage business or in the business of underwriting and dealing in securities, or of an investment adviser, unless as a result of such acquisition the investment company or controlled companies will own all of the outstanding securities of such company and the principal business of such company is that of underwriting securities. Rule 12d-1 adopted by the Commission exempts from the provisions of Section 12(d)(3) certain acquisitions of less than all of the securities of the acquired company, if certain conditions are met. In addition, Rule 2a-3 excludes a bank from the definition of investment adviser for purposes of Section 12(d)(3), except that the rule does not permit any registered investment company or any controlled company to purchase any security issued by a bank which is an investment adviser of the registered investment company or controlled company.

Section 20(c) of the Act provides that a registered investment company may not purchase any voting securities of any company if, to the knowledge of the investment company, cross-ownership or circular-ownership exists, or will exist after such acquisition. Cross-ownership between the registered investment company and the issuer of such securities is deemed to exist when each of such companies beneficially owns more than 3 percent of the outstanding voting securities of the other company. Circular-ownership exists between two companies if these companies are included within a group of three or more companies, each of which beneficially owns more than 3 percent of the outstanding voting securities of one or more of the companies in the group and has 3 percent of its own voting securities beneficially owned by another company of the group or by each of two or more other such companies.

Section 25 of the Act also gives this Commission certain powers with respect to acquisitions by registered investment companies of assets and securities of other companies where such acquisition constitutes a reorganization (Section 2(a)(32)), or is a part of a plan which contemplates a reorganization of the investment company. In such case, Section 25(a) requires that information relating to such plan be filed with this Commission. Section 25(b) provides that under certain specified circumstances the Commission may render an advisory report as to the fairness of the plan and its effects on security holders. Section 25(c) authorizes the Commission to institute proceedings in a Federal court requesting the court to enjoin the consummation of any plan of reorganization which is grossly unfair or which constitutes gross misconduct or gross abuse of trust on the part of the officers, directors or investment advisers of the registered investment company or other sponsor of such plan.