

Commodity Futures Trading Commission  
CEA CASES

**NAME:** THE SIEGEL TRADING CO., INC., JOSEPH E. SIEGEL, ALVIN C. WINOGRAD, AND D. PETER ANDERSON

**CITATION:** 29 Agric. Dec. 189

**DOCKET NUMBER:** 159

**DATE:** MARCH 2, 1970

**DOCUMENT TYPE:** DECISION AND ORDER

(No. 13,025)

*In re* THE SIEGEL TRADING CO., INC., JOSEPH E. SIEGEL, ALVIN C. WINOGRAD, AND D. PETER ANDERSON. CEA Docket No. 159. Decided March 2, 1970.

**Deceiving customers -- False reports and records -- Cease and desist -- Stipulation**

Respondents are ordered to cease and desist from closing out, on any basis other than a "day trade" basis any purchase and sale without consent of the customer for whom such purchase and sale are made, making any record or report purporting to show that a trade has been made for a customer when no such trade has been made, failing to place in a customer's account any trade that is executed pursuant to such customer's order, and failing to compute accurately and maintain required records.

*Earl L. Saunders* for Commodity Exchange Authority.

*Moss, Rose & Krull*, New York, N.Y., and *Harold D. Cooley*, Washington, D.C., for respondents.

*Decision by Thomas J. Flavin, Judicial Officer*

**PRELIMINARY STATEMENT**

This is an administrative proceeding under the Commodity Exchange Act (7 U.S.C. Chapter 1, 1964 ed., as amended, Supp. IV, 1969), instituted by a complaint and notice of hearing issued on May 7, 1969, under sections 6(b) and 6(c) of the said Act (7 U.S.C. Supp. IV, 9 and 13b). All of the respondents are charged with violating section 4b of the Commodity Exchange Act (7 U.S.C. Supp. IV, 6b), and respondents The Siegel Trading Co., Inc., Joseph E. Siegel and Alvin C. Winograd are charged with

violating sections 4c, 4d and 4g of the said Act (7 U.S.C. 6c; 7 U.S.C. Supp. IV, 6d and 6g), and sections 1.23, 1.32 and 1.35 of the regulations (17 CFR 1.23, 1.32 and 1.35).

No hearing has been held in this proceeding. On February 3, 1970, the respondents filed a stipulation under section 0.4(b) of the rules of practice (17 CFR 0.4(b)), in which they (1) withdraw the answers previously filed in their behalf, (2) admit the facts hereinafter set forth in paragraphs 1 through 4 of the Findings of Fact, (3) admit, for the purposes of this proceeding and for such purposes only, the remaining facts set forth in the Findings of Fact, and (4) waive the report of the Hearing Examiner and consent to the entry of the order contained herein. In such stipulation respondents The Siegel Trading Co., Inc., Joseph E. Siegel and Alvin C. Winograd represent that the corporate respondent set up subsequent to issuance of the complaint and will continue to maintain an internal management and audit system which will result in (1) due

diligence being used in the selection, training and supervision of the firm's officers and employees involved in the handling of accounts of customers trading in commodity futures, and (2) all officers and employees of the firm operating in compliance with the Commodity Exchange Act and the regulations thereunder, the rules of the exchanges on which the firm trades in commodity futures and the firm's operating procedures. Also in such stipulation respondent The Siegel Trading Co., Inc., represents "that subsequent to issuance of the complaint it has reimbursed the individual customers named in paragraph V of the complaint for the amounts of commission overcharges and is in the process of reimbursing the customer named in paragraph VII of the complaint for the loss occasioned by its failure to confirm the execution referred to therein."

#### **FINDINGS OF FACT**

1. Respondent The Siegel Trading Co., Inc., whose business address is 100 North La Salle Street, Chicago, Illinois, is now, and was at all times material herein, a corporation organized and existing under the laws of the State of Illinois, with its principal office and place of business in Chicago and branch offices at New York City and various other cities. The said corporation is now, and was at all such times, a clearing member of the Chicago Mercantile Exchange and the New York Mercantile Exchange, and a registered futures commission merchant under the Commodity

Exchange Act, engaged in the business of trading in commodities for future delivery for the accounts of customers.

2. Respondents Joseph E. Siegel and Alvin C. Winograd, individuals, whose business address is 100 North La Salle Street, Chicago, Illinois, are now, and were at all times material herein, President and Secretary-Treasurer, respectively, of the respondent corporation and registered floor brokers under the Commodity Exchange Act. At all such times, the said respondents managed the business of the respondent corporation and, at all such times, the acts and transactions by the respondent corporation were initiated and carried out under the said respondents' supervision as officers of the respondent corporation.

3. Respondent D. Peter Anderson, an individual, was at all times material herein, employed by the respondent corporation as an account executive in its New York office. He is no longer so employed.

4. The Chicago Mercantile Exchange, the New York Mercantile Exchange and the New York Cotton Exchange are now, and were at all times material herein, duly designated contract markets under the Commodity Exchange Act.

5. On April 22 and 23, 1968, the respondent corporation, acting pursuant to orders given by respondent D. Peter Anderson on behalf of customers for whom he traded on a discretionary basis, executed purchases and sales of May 1968 Maine potato futures on the New York Mercantile Exchange, which in the regular course of business would have been closed out on a "day trade" basis. Instead of closing out such purchases and sales on a "day trade" basis, the said respondents offset the sales against purchases made on earlier days and thereafter, offset the purchases against sales made on subsequent days. Closing out the purchases and sales made on April 22, 1968, and those made on April 23, 1968, in the manner described above, caused the customers to pay to the respondent corporation in connection with such trades, twice the amount of commissions that the customers would have paid if such trades had been closed out on a "day trade" basis, and operated to conceal from the customers for a period of time the true status of their accounts. With respect to such trades, the following tabulation shows (1) the names of the customers, (2) the quantity (one side only) executed each day for each customer, (3) the close-out commissions paid by each customer, (4) the financial results reported by the respondent corporation to each

customer with respect to the transactions in which the sales made for the customer's account were offset against his previously held position, and (5) the commission that would have been payable by each customer and the financial results that would have been reported to each customer, if the purchases and sales had been closed out on a "day trade" basis.

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Customer	Date April 1968	Number of Contracts (One Side Only)	Commissions Paid and Financial Results Reported		Commissions Payable and Financial Results If Trades Closed Out On Day Trade Basis		
			Commission	Profit	Commission	Profit	Loss
George Faludi	23	15	\$ 375.00	\$ 4,560.00	\$ 187.50	\$ 560.00	\$
J. Edward Kelley, Jr.	22	9	225.00	1,240.00	112.50		135.00
23	11	275.00	1,895.00	137.50	545.00		
John L. Renjilian	23	3	75.00	865.00	37.50	75.00	
Jerome Schneir	22	11	275.00	1,230.00	137.50		165.00
23	14	350.00	2,415.00	175.00	460.00		
Thomas Tracey	22	8	200.00	920.00	100.00		120.00
23	10	250.00	1,715.00	125.00	320.00		
Herbert Weinstock	22	6	150.00	510.00	75.00		75.00
23	10	250.00	1,735.00	125.00	545.00		

6. The respondent corporation made entries in its books as of March 7, 1968, purporting to show that on that day it had purchased and sold March 1968 No. 2 cotton futures on the New York Cotton Exchange for the accounts of its customers, as follows:

Number of Contracts		Price Per Pound (Cents)	Customer
Purchased	Sold		
1		31.42	Don C. Como
2		31.42	Robert E. Dorroh
6		31.42	Alan R. Schrift
	1	31.42	J. J. Neal
	1	31.51	J. L. Lewis, Jr.

The respondent corporation confirmed to each such customer each such trade purportedly made for his account. On the same date, March 7, 1968, the respondent corporation made additional entries in its books purporting to show that on that day it had sold one contract of March 1968 No. 2 cotton futures at a price of 31.42 cents per pound for its house account. In truth and in fact, as the respondent corporation knew, none of such sales and only four of such purchases were actually executed.

7. On October 3, 1967, the respondent corporation received an order from Joseph E. Monahan, a customer, to purchase 100 bales of March 1969 No. 2 cotton futures on the New York Cotton Exchange at a price of 31.92 cents per pound or better for his account. On the same day, the respondent corporation executed the said order at a price of 31.86 cents per pound and thereupon orally reported its execution to Joseph E. Monahan. The respondent corporation subsequently refused to confirm such execution in writing and on or about November 1, 1967, reported to Joseph E. Monahan that the said order had not been executed.

8. The futures transactions described in paragraphs 5 through were capable of being used for hedging transactions in interstate commerce in such commodities or the products or byproducts thereof, or for determining the price basis of

transactions in interstate commerce in such commodities, or for delivering such commodities sold, shipped, or received in interstate commerce.

9. (a) As of April 19, 1968, the respondent corporation had failed to make any computation or permanent record, as of the close of business on April 15, 16 and 17, 1968, of the amount of money, securities, and property required to be held in segregated

account in order to pay the credits and equities due to its customers, as provided in section 1.32 of the regulations (17 CFR 1.32) and as of August 12, 1968, had failed to make any such computation or record as of the close of business on August 1, 2, 5, 6, 7, 8 and 9, 1968.

(b) The segregation record prepared by the respondent corporation for March 29, 1968, was incomplete and inaccurate to an extent which made it impossible to determine whether the funds held by the respondent corporation for customers were, in fact, sufficient to pay all credits and equities due to customers.

(c) In preparing the daily computation and record of the amount of money, securities and property required to be held in segregation in order to pay the credits and equities due its customers during the period from November 29, 1967 through March 29, 1968, the respondent corporation failed to take into consideration the payments made to, and the payments received from, its carrying brokers for its customers' accounts. Such payments were in varying amounts ranging from \$ 10,000 to \$ 350,000.

(d) Between April 9 and July 16, 1968, with the exception of the period from May 1 through June 12, 1968, the respondent corporation failed to keep a daily record showing, for each transaction executed by it on the Chicago Mercantile Exchange, the identity of the customer for whose account the transaction was executed and the identity of the floor broker on the opposite side of the transaction, as required by section 1.35 of the regulations (17 CFR 1.35).

(e) Between on or about August 1, 1967 and March 29, 1968, the respondent corporation failed to prepare contract ledger accounts showing its customers' trades carried with other futures commission merchants.

10. On January 10, 1964, pursuant to section 0.4(a) of the rules of practice governing administrative proceedings under the Commodity Exchange Act (17 CFR 0.4(a)), respondents The Siegel Trading Co., Inc., Joseph E. Siegel and Alvin C. Winograd entered into a stipulation in which they admitted:

As of December 10, 1963, The Siegel Trading Co., Inc., has failed to compute and keep a record as of the close of the market on each of 23 business days from November 5 through December 9, 1963, showing the amount of money,

security, and property owing or accruing to its customers which it was required to have in segregated account for such customers in order to comply with the requirements of section 4d(2) of the Commodity Exchange Act. Previous failures to compute and keep such records were discussed with Joseph E. Siegel and Alvin C. Winograd by CEA accountants at various times, and continuing failures were called to the attention of Joseph E. Siegel and The Siegel Trading Co., Inc., by the Act Administrator in a letter dated October 18, 1963.

The said respondents, in such stipulation, admitted that "the acts and practices on the part of The Siegel Trading Co., Inc.," described above, "were directed and carried out under the supervision and control of respondents Joseph E. Siegel and Alvin C. Winograd in their capacities as president and secretary, respectively, of The Siegel Trading Co., Inc.," and agreed that they would "desist from such acts and practices in the future."

#### **CONCLUSIONS**

By reason of the facts set forth in the Findings of Fact, it is concluded that, as charged in the complaint: (1) all of the respondents violated section 4b of the Commodity Exchange Act, and respondents The Siegel Trading Co., Inc., Joseph E. Siegel and Alvin C. Winograd violated sections 4c, 4d and 4g of the said Act, and sections 1.23, 1.32 and 1.35 of the regulations thereunder. The complainant states that the administrative officials of the Commodity Exchange Authority have carefully considered the stipulation and the terms of the proposed order and they believe that the prompt entry of such an order without further proceedings would constitute a satisfactory disposition of this case, serve the public interest and effectuate the purposes of the Commodity Exchange Act. The complainant, therefore, recommends that the stipulation be accepted and the proposed order be issued, terminating this proceeding. It is concluded that the complainant's recommendation should be adopted.

#### **ORDER**

Effective immediately, respondents The Siegel Trading Co., Inc., and D. Peter Anderson shall cease and desist from closing out, or causing to be closed out, on any basis other than a "day trade" basis any purchase and sale of commodity futures that

may be closed out on a "day trade" basis, unless this is done with the prior knowledge and consent of the customer for whom such purchase and sale are made.

Effective immediately, respondent The Siegel Trading Co., Inc., shall cease and desist from: (1) making, or causing to be made, any record purporting to show that any trade in commodity futures has been made for the account of any customer when no such trade has been made; (2) making, or causing to be made, to any customer any report or statement purporting to show that any trade in commodity futures has been made for the account of such customer when no such trade has been made; (3) failing to place in any customer's account any trade in commodity futures that is executed pursuant to such customer's order; and (4) failing to accurately compute and maintain: (a) records as of the close of the market on each business day, showing the amount of money, security and property owing or accruing to its customers which it is required to have in segregated account for such customers in order to comply with the requirements of section 4d(2) of the Commodity Exchange Act; (b) records showing customers' trades and positions carried with other futures commission merchants; (c) daily records showing for each transaction executed by it on the Chicago Mercantile Exchange the identity of the customer for whose account the transaction was executed and the identity of the floor broker on the opposite side of the transaction, as required by section 1.35 of the regulations; and (d) such other books and records relating to its business of dealing in commodity futures in such form and manner and for such period as may be required by the Secretary of Agriculture.

Effective immediately, respondents Joseph E. Siegel and Alvin C. Winograd shall cease and desist from willfully causing, aiding, counseling, commanding or inducing respondent The Siegel Trading Co., Inc., to engage in any act or practice from which the said firm is directed to cease and desist by this order.

The registration of respondent The Siegel Trading Co., Inc., as a futures commission merchant under the Commodity Exchange Act is suspended for a period of thirty (30) days. The said firm is prohibited from trading on or subject to the rules of any contract market for the same period of thirty (30) days, and all contract markets shall refuse all trading privileges to it during this period, such prohibition and refusal to apply to all trading done and positions held by The Siegel Trading Co., Inc., directly

or indirectly. The registrations of respondents Joseph E. Siegel and Alvin C. Winograd as floor brokers under the Commodity Exchange Act are suspended for a period of fifteen (15) days. The said individuals and respondent D. Peter

Anderson are prohibited from trading on or subject to the rules of any contract market for the same period of fifteen (15) days, and all contract markets shall refuse all trading privileges to them during this period, such prohibition and refusal to apply to all trading done and positions held by them, or any of them, directly or indirectly. However, such suspension of registration and refusal of trading privileges shall not become effective unless, within three years from the date of issuance of this order, the respondents, or any of them, should, after complaint and hearing in accordance with established procedure, be found to have violated the Commodity Exchange Act or regulations by reason of acts other than those constituting the basis for the charges brought in this proceeding, in which event a supplemental order in this proceeding may be issued against the offending respondent or respondents, without further notice, making effective forthwith the aforesaid sanctions of suspension of registration and denial of trading privileges, which shall be in addition to any sanction which may be imposed as a result of such subsequent violation.

A copy of this Decision and Order shall be served on each of the parties and on each contract market.

**LOAD-DATE:** June 10, 2008

