

Commodity Futures Trading Commission
CEA CASES

NAME: SECRETARY OF AGRICULTURE V. PAUL A. NELSON

DOCKET NUMBER: 29

DATE: JUNE 13, 1941

DOCUMENT TYPE: COMPLAINT

UNITED STATES OF AMERICA

BEFORE THE SECRETARY OF AGRICULTURE

CE-A Docket No. 29

Secretary of Agriculture, Complainant, v. Paul A. Nelson, Respondent.

Complaint and Notice of Hearing Under Section 6(e) of the Commodity Exchange Act.

There being reason to believe that the respondent has violated the Commodity Exchange Act (7 U. S. C. and Supp. V, §§ 1-17a), and the rules and regulations promulgated pursuant thereto, this complaint is issued alleging the following:

1.

Paul A. Nelson is an individual trading and doing business at Chicago, Illinois.

2.

Paul A. Nelson, during the period from September 13, 1937, to May 7, 1940, acted as a floor broker in executing orders for the purchase or sale of grains for future delivery on and subject to the rules of the Board of Trade of the City of Chicago, a contract market designated by the Secretary of Agriculture under the provisions of the Commodity Exchange Act, without having registered under the Commodity

Exchange Act with the Secretary of Agriculture as a floor broker.

3.

The respondent, during the month of February 1940, offered to enter into, entered into, and confirmed the execution of transactions involving wheat which were or could be used for hedging transactions in interstate commerce in wheat, and determining the price basis of wheat in interstate commerce. These transactions are more fully set forth in a tabulation, marked Exhibit A, attached hereto and made a part hereof.

4.

The transactions set forth in Exhibit A were of the character of and commonly known to the trade as "cross-trades"; the brokers with whom the respondent executed these trades, listed in the 7th column of Exhibit A, simultaneously bought and sold, at the same price, the contracts for the future delivery of wheat listed on Exhibit A, all in violation of Section 4c(A) of the Commodity Exchange Act.

5.

The respondent, by and through the means of intermediate cross-trades, willfully and knowingly, and without the prior consent of Fenner & Beane, the customer for whom the trades listed on Exhibit A were executed, became the buyer

with respect to selling orders, and the seller with respect to buying orders, on the dates listed on Exhibit A, in violation of Section 4b(D) of the Commodity Exchange Act.

6.

The respondent registered with the Secretary of Agriculture as a floor broker under the Commodity Exchange Act on May 8, 1940, and has been so registered continuously since that date.

THEREFORE, the respondent is hereby notified, unless a hearing is waived, to be and appear before a referee appointed by the Secretary of Agriculture at a hearing to be held at 10 a. m. on June 26, 1941, in the offices of the Commodity Exchange Administration, Board of Trade Building, Chicago, Illinois, or at such other times and places as may be determined by the referee, and then and there show cause, if any there be, why an order should not be made suspending or revoking the respondent's registration as floor broker and directing that all contract markets, until further notice of the Secretary of Agriculture, refuse all trading privileges to the respondent.

IT IS ORDERED that the respondent shall, within fifteen days after receipt of this complaint, file an answer with the hearing clerk, Office of the Solicitor, Department of Agriculture, Washington, D. C., as follows:

(a) If the respondent desires to contest the proceeding, the answer shall contain a statement of the facts which constitute the ground of defense and shall admit, deny, or explain each of the facts alleged in the complaint, unless the respondent is

without knowledge as to any alleged fact, in which case the answer shall so state.

(b) If the respondent desires to waive hearing on the charges set forth in the complaint and not to contest the proceeding, the answer may consist of a statement that the respondent admits all the material allegations of the complaint to be true, and such answer shall be deemed to waive a hearing thereon and to authorize the Secretary of Agriculture, without hearing and without further evidence or other intervening procedure, to issue an order directing that all contract markets refuse all trading privileges to the respondent for such time as may be fixed by the order and revoking the respondent's registration as a floor broker.

(c) If the respondent desires to waive hearing on the charges set forth in the complaint, but desires to contest the proceeding on the ground that the facts alleged do not constitute a violation of the Commodity Exchange Act, or do not warrant disciplinary action by the Secretary of Agriculture, the answer may consist of a statement that the respondent admits all the material allegations of the complaint to be true and that he waives hearing, but desires to be given an opportunity to submit argument in support of his contention.

In such case, the respondent shall be served with a tentative order containing findings of fact, conclusions, and order, to which he shall be given an opportunity to file exceptions and briefs in support thereof, and, upon request, to make oral argument.

Failure of the respondent to file an answer within the time above provided, and failure to appear at the time and place fixed for hearing, shall be deemed to authorize, without further hearing, notice to the respondent or other formal procedure, the admission and consideration, as part of the record, of reports of employees of the Department of Agriculture and other documents upon which the complaint is based, and the issuance of an order based on such record.

IT IS FURTHER ORDERED that this complaint and notice of hearing be served on the named respondent by delivery of a true and correct copy hereof to the

respondent, by an employee of the Department of Agriculture or by registered mail.

Done at Washington, D. C., this 13th day of June 1941. Witness my hand and the seal of the Department of Agriculture.

(SEAL)

/s/ Paul H. Appleby

Under Secretary of Agriculture.

TRANSACTION IN 1940 JULY THAT FUTURES ON THE CHICAGO BOARD OF TRADE
EXECUTED BY PAUL A. NELSON FOR FENNER & BEANE, IN WHICH NELSON
BECAME THE BUYER IN RESPECT TO SELLING ORDERS AND THE SELLER IN INSPECT TO
BUYING ORDERS

BY MEANS OF INTERMEDIATE CROSS TRADES MADE WITH OTHER ROM TRADERS>100> >101>
An error occurred in the processing of a table at this point in the document.
Please refer to the table in the online document.

Item No.	Date 1940	Floor Trader Making Intermediate Cross Trade
1	Feb. 1	P. J. Barrett
2	3	" "
3	3	M. T. McDonough
4	8	M. Weis
5	8	" "
6	8	" "
7	9	" "
8	9	" "
9	10	" "
10	10	" "
11	10	" "
12	10	J. E. Griffin
13	16	M. Weis
14	16	P. J. Barrett
15	17	" "
16	17	" "
17	17	F. Spinney
18	17	M. Weis
19	19	" "
20	20	W. F. Melican
21	20	M. T. McDonough
22	20	" "
23	20	" "
24	20	" "
25	20	" "
26	20	" "
27	20	M. Weis
28	20	" "
29	20	" "
30	21	" "
31	21	" "
32	21	P. J. Barrett
33	21	M. T. McDonough
34	21	J. E. Griffin
35	21	" "
36	21	" "
37	21	" "
38	23	" "
39	23	" "
40	23	M. T. McDonough

Item No.	Date 1940	Floor Trader Making Intermediate Cross Trade
41	23	" "
42	23	" "
43	23	" "
44	23	P. J. Barrett
45	23	M. Weis
46	24	" "
47	24	" "
48	24	M. T. McDonough
49	26	F. Spinney
50	26	P. J. Barrett
51	27	M. E. Latimer
52	28	M. T. McDonough
53	28	M. Weis
54	28	" "
55	29	P. J. Barrett
56	29	[ILLEGIBLE TEXT]

Transactions for Account of P. A. Nelson

Item No.	Date 1940	Quantity (In thousands of bushels)		Price (In cents)
		Bought	Sold	
1	Feb. 1		5	93-1/4
2	3		5	93-1/2
3	3		5	94-1/8
4	8	10		96
5	8	5		96-3/8
6	8		5	96-3/4
7	9		20	98
8	9	10		97-1/2
9	10		5	96-7/8
10	10	5		97
11	10	5		97
12	10	10		96-3/4
13	16	5		100-1/2
14	16		5	98-3/4
15	17		15	100-3/4
16	17		5	101-1/2
17	17		5	100-7/8
18	17		5	101
19	19	5		100-3/8
20	20	5		101
21	20	10		101-3/4
22	20	5		102
23	20	10		102
24	20	5		102
25	20		20	102-3/4
26	20		5	102-3/4
27	20		5	103-1/4
28	20		5	102-1/2
29	20		5	102-1/2
30	21	5		104-1/8
31	21	5		104-1/4
32	21	10		104
33	21		10	104-3/8
34	21		5	103
35	21		5	103
36	21	5		103-1/2
37	21	5		103-1/2
38	23		5	104
39	23		5	104

Item No.	Date 1940	Floor Trader Making Intermediate Cross Trade	
40	23	5	105
41	23	10	105-1/4
42	23	5	104-3/4
43	23	5	104-3/4
44	23	5	104-7/8
45	23	5	104-3/8
46	24	5	102-3/4
47	24	5	102-3/8
48	24	5	103-1/2
49	26	5	100-3/8
50	26	10	101-3/4
51	27	25	100-1/8
52	28	10	100-1/2
53	28	5	101
54	28	5	[ILLEGIBLE TEXT]
55	29	15	[ILLEGIBLE TEXT]
56	29	[ILLEGIBLE TEXT]	[ILLEGIBLE TEXT]

Transactions for Account of P. A. Nelson
Bought From or Sold To

Item No.	Date 1940	Clearing Member Carrying Nelson's Account	(Clearing Member on Opposite Side)	Item No.
1	Feb. 1	I. P. Skolly	O. S. Nickles & Co.	1
2	3	T. P. McGuire	" " "	2
3	3	I. P. Skolly	A. J. Riffle	3
4	8	" "	I. P. Skolly	4
5	8	" "	J. S. Bache & Co.	5
6	8	" "	" " "	6
7	9	" "	" " "	7
8	9	" "	" " "	8
9	10	T. P. McGuire	" " "	9
10	10	" "	" " "	10
11	10	" "	" " "	11
12	10	" "	C. J. Wightman & Co.	12
13	16	I. P. Skolly	J. S. Bache & Co.	13
14	16	" "	O. S. Nickles & Co.	14
15	17	T. P. McGuire	" " "	15
16	17	" "	" " "	16
17	17	" "	T. F. Molyneaux	17
18	17	" "	J. S. Bache & Co.	18
19	19	" "	" " "	19
20	20	I. P. Skolly	T. J. Friel	20
21	20	T. P. McGuire	A. J. Riffle	21
22	20	" "	" "	22
23	20	" "	" "	23
24	20	" "	" "	24
25	20	" "	" "	25
26	20	" "	" "	26
27	20	I. P. Skolly	J. S. Bache & Co.	27
28	20	T. P. McGuire	" " "	28
29	20	" "	" " "	29
30	21	I. P. Skolly	" " "	30
31	21	T. P. McGuire	" " "	31
32	21	" "	O. S. Nickles & Co.	32
33	21	" "	A. J. Riffle	33
34	21	" "	C. J. Wightman & Co.	34
35	21	" "	" " "	35
36	21	" "	" " "	36
37	21	I. P. Skolly	" " "	37

Item No.	Date 1940	Floor Trader Making Intermediate Cross Trade		
38	23	T. P. McGuire	" " "	38
39	23	" "	" " "	39
40	23	" "	A. J. Riffle	40
41	23	" "	" "	41
42	23	" "	" "	42
43	23	" "	" "	43
44	23	" "	O. S. Nickles & Co.	44
45	23	" "	J. S. Bache & Co.	45
46	24	" "	" " "	46
47	24	" "	" " "	47
48	24	" "	A. J. Riffle	48
49	26	" "	T. F. Molyneaux	49
50	26	" "	O. S. Nickles & Co.	50
51	27	T. P. McGuire	M. E. Latimer	51
52	28	" "	A. J. Riffle	52
53	28	" "	J. S. Bache & Co.	53
54	28	[ILLEGIBLE TEXT]	" " "	54
55	29	[ILLEGIBLE TEXT]	[ILLEGIBLE TEXT]	55
56	29	[ILLEGIBLE TEXT]	[ILLEGIBLE TEXT]	[ILLEGIBLE TEXT]

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