

Commodity Futures Trading Commission
CEA CASES

NAME: INTERNATIO (WOOL), INC., AND ALBERT T. ALADJEM

DOCKET NUMBER: 109

DATE: NOVEMBER 9, 1962

DOCUMENT TYPE: COMPLAINT

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

In re: Internatio (Wool), Inc., and Albert T. Aladjem, Respondents

CEA Docket No. 109

Complaint and Notice of Hearing under Section 6(b) of the Commodity Exchange Act

There is reason to believe that the respondents, Internatio (Wool), Inc., and Albert T. Aladjem, attempted to manipulate and did manipulate the price of a commodity for future delivery on or subject to the rules of a board of trade in violation of sections 6(b) and 9 of the Commodity Exchange Act (7 U.S.C. §§ 9 and 13), and in accordance with the provisions of § 6(b) of the said Act (7 U.S.C. § 9) this complaint and notice of hearing is issued stating the charges against the respondents as follows:

I

The respondent Internatio (Wool), Inc., hereinafter sometimes referred to as the respondent corporation, is a Massachusetts corporation, with offices and a place of business at 263 Summer Street, Boston, Massachusetts. The respondent corporation is now and was at all times material to this complaint engaged in the wool merchandising business. At all such times the respondent corporation enjoyed membership trading privileges on the Wool Associates of the New York Cotton Exchange, Inc., by virtue of the membership on the exchange of the respondent Albert T. Aladjem.

II

The respondent Albert T. Aladjem, an individual, whose office address is the same as that of the respondent corporation, is now and was at all times material to this complaint President and Treasurer of the respondent corporation, and a member of the Wool Associates of the New York Cotton Exchange, Inc.

III

The Wool Associates of the New York Cotton Exchange, Inc., hereinafter sometimes referred to as the exchange, is now and was at all times material to this complaint a board of trade duly designated as a contract market under the Commodity Exchange Act.

IV

The transactions hereinafter described were carried out under the direction and supervision and by means of the acts of the respondent Albert T. Aladjem in his capacity as an officer of the respondent corporation.

V

The futures transactions referred to in this complaint relate to the May 1962 wool future on the Wool Associates of the New York Cotton Exchange, Inc. A wool futures contract on the exchange is a contract for the grease equivalent of

6,000 pounds (clean weight) of wool. The last day for trading in the May 1962 wool future on the exchange was May 23, 1962, and that was also the last day on which notice could be given of intention to deliver wool in satisfaction of

positions in such future. In order to give notice of intention to deliver wool in satisfaction of such futures positions, the person making delivery was required to have the amount of wool referred to in the delivery notice, and such wool must have been inspected and certificated in accordance with the rules of the exchange and be located in a warehouse (in the Greater Boston, Massachusetts, area) approved by the exchange for delivery.

VI

At the close of business on May 22, 1962, the day prior to the last day for trading in the May 1962 wool future on the exchange, the respondent corporation held on the exchange a net long position in the May 1962 wool future in the amount of 77 contracts, representing 59.2% of the total long open interest (130 contracts) in such future on the exchange.

VII

At the close of business on May 22, 1962, the total stocks of certificated wool were sufficient to liquidate 203 futures contracts by delivery. The respondent corporation owned or controlled an amount of such certificated wool equivalent to 188 1/2 contracts, leaving an amount of certificated wool not owned or controlled by the respondent corporation sufficient to liquidate 14 futures contracts by delivery. However, of this amount of certificated wool not owned or controlled by the respondent corporation, an amount sufficient to liquidate 11 contracts had been allocated to fulfill outstanding notices of delivery which had been received by the respondent corporation, assuring that the

respondent corporation would own such wool before the expiration of the delivery period, and rendering it unavailable to other persons for delivery.

VIII

At the close of business on May 22, 1962, persons short 63 May 1962 wool futures contracts could satisfy their contracts only by entering into futures transactions with the respondent corporation or by purchasing certificated wool from the respondent corporation.

IX

On May 22, 1962, the price of the May 1962 wool future on the exchange ranged from 127.5 cents per pound to 128.9 cents per pound, and closed at 128.6 cents per pound. On May 23, 1962, the last day for trading in the May 1962 wool future, the price of the future ranged from 129.8 cents per pound to 133.0 cents per pound, and closed at 133.0 cents per pound.

X

On May 23, 1962, the respondent corporation sold 66 contracts on the exchange at prices ranging from 131.0 cents per pound to 133.0 cents per pound. The respondent corporation's sales were made pursuant to orders which set forth the price limits below which such futures could not be sold.

XI

With knowledge of the fact that there was an insufficient supply of certificated wool not owned or controlled by the respondent corporation to satisfy the long futures contracts held by the respondent corporation, on May 23, 1962, the respondent Albert T. Aladjem demanded

and received fixed and arbitrary prices which were in excess of the true market value of May 1962 wool futures, thereby causing prices of such future which were not justified by supply and demand. By reason thereof, the respondents, Internatio (Wool), Inc., and Albert T. Aladjem, attempted to manipulate and did in fact manipulate the price of a commodity for future delivery on or subject to the rules of a board of trade, in willful violation of sections 6(b) and 9 of the Commodity Exchange Act (7 U.S.C. §§ 9 and 13).

WHEREFORE, it is hereby ordered that this complaint and notice of hearing be served upon the said respondents. The respondents will have twenty (20) days after the receipt of this notice of hearing in which to file with the Hearing Clerk, United States Department of Agriculture, Washington 25, D. C., an answer with an original and five copies, fully and completely stating the nature of the defense and admitting or denying, specifically and in detail, each allegation of this complaint. Allegations not answered will be deemed admitted for the purpose of this proceeding. Failure to file an answer will constitute an admission of all the allegations of this complaint and a waiver of hearing. The respondents are hereby notified that unless hearing is waived, either expressly or by failure to file an answer, or by filing an answer in which all of the material allegations of fact contained in the complaint are admitted and a hearing is not requested, a hearing will be held at 10:00 a.m., local time, on the 11th day of December, 1962, in Boston, Massachusetts, at a place therein to be specified later, before a referee designated to conduct such hearing. At such

hearing the respondents will have the right to appear and show cause, if any there be, why an order should not be made directing that all contract markets refuse all trading privileges to the respondents for such period of time as may be determined.

It is ordered that this complaint and notice of hearing be served on the respondents at least twenty (20) days prior to the date set for hearing.

Done at Washington, D. C., this

9th day of November, 1962

/s/ John P. Duncan, Jr.

John P. Duncan, Jr.

Assistant Secretary

LOAD-DATE: June 12, 2008

