

Commodity Futures Trading Commission
CEA CASES

NAME: WEBSTER E. COLLINS

DOCKET NUMBER: 121

DATE: OCTOBER 7, 1964

DOCUMENT TYPE: COMPLAINT

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

In re: Webster E. Collins, Respondent

CEA Docket No. 121

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

There is reason to believe that the respondent, Webster E. Collins, 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, 13), and in accordance with the provisions of section 6(b) of the said act (7 U.S.C. 9) this complaint and notice of hearing is issued stating the charges against the respondent as follows:

I

The respondent, Webster E. Collins, an individual whose business address is 170 Lyman Street, Springfield, Massachusetts, is now, and was at all times material herein, a member of the Wool Associates of the New York Cotton Exchange, Inc.

II

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 herein, a board of trade duly designated as a contract market under the Commodity Exchange Act.

III

The futures transactions referred to in this complaint relate to the May 1963 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 1963 wool future on the exchange was May 23, 1963, 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.

IV

On April 23, 1963, the day prior to the first day for issuing notices of intention to deliver wool on short futures contracts in the May 1963 wool future on the exchange, the respondent owned or controlled a net long position of 210

contracts in such future, which position constituted approximately 48.8 percent of the total long open interest on that day.

V

On May 10, 1963, on which day the respondent owned or controlled a net long position of 207 contracts in the May 1963 wool future, the respondent contracted to sell to a wool merchant an amount of certificated wool equivalent to 161 futures contracts at a price of 128.0 cents per pound, with the agreement or understanding that neither such certificated wool nor other certificated wool owned or controlled by such wool merchant would be available to the holders of short contracts for delivery on the May 1963 wool future. On the same day, May 10, 1963, the price of the May 1963 wool future ranged from 132.4 cents per pound to 132.5 cents per pound, closing at 132.5 cents per pound.

VI

By the close of business on May 21, 1963, the day prior to the penultimate day for trading in the May 1963 wool future, the net long position owned or controlled by the respondent in the May 1963 wool future amounted to 196 contracts, an amount representing approximately 79.4 percent of the total long open interest in such future. By the close of business on May 22, 1963, next to the last day of trading in the May 1963 wool future, the net long position owned or controlled by the respondent in the May 1963 wool future amounted to 186 contracts, an amount representing approximately 95.4 percent of the total long open interest in such future.

VII

At the close of business on May 21, 1963, the total stocks of certificated wool were sufficient to liquidate 332 futures contracts by delivery and at the close of business on May 22, 1963, the total stocks of certificated wool were sufficient to liquidate 341 futures contracts by delivery. Of such certificated stocks, in addition to the 161 lots under contract of sale as described in paragraph V above, the respondent owned or controlled an amount of certificated wool equivalent to 35 futures contracts at the close of business on May 21, 1963, and to 40 futures contracts at the close of business on May 22, 1963.

VIII

By reason of the facts set forth in paragraphs V, VI and VII above, there was at all times on May 22 and 23, 1963, an insufficient supply of certificated wool available to the holders of short contracts in the May 1963 wool future on the exchange and of long contracts in such future which were held or controlled by persons other than the respondent, to permit the holders of short contracts to satisfy all such contracts without entering into futures transactions with the respondent.

IX

On May 21, 1963, the price of the May 1963 wool future ranged from 133.3 cents per pound to 134.4 cents per pound, and closed at 134.0 cents per pound bid and 134.4 cents per pound asked. On May 22, 1963, the price of the May 1963 wool future opened at 134.0 cents per pound bid and 134.8 cents per pound asked, and ranged from 134.4 cents per pound to 137.9 cents per pound, closing at 137.9 cents per pound. On May 23, 1963, the last day for trading in the May 1963 wool future, the price of the future opened at 139.4 cents per pound and ranged from 139.0 cents per pound to 140.4 cents per pound and closed at 140.4 cents per pound.

X

On May 22, 1963, the respondent sold 10 contracts at a price of 137.5 cents per pound. On May 23, 1963, the respondent sold 69 contracts, 25 contracts at a price of 139.4 cents per pound and 44 contracts at a price of 140.4 cents per

pound. The respondent's sales were made pursuant to orders which set forth the price limits below which such futures could not be sold. The respondent so acted with knowledge of the fact that there was an insufficient supply of certificated wool available to the shorts to satisfy the long futures contracts held by the respondent.

XI

In initiating and carrying out the transactions described, supra, the respondent acted with the purpose and intent of causing prices in the May 1963 wool future which were arbitrary and artificial, and demanded and received such prices. By reason thereof, the respondent attempted to manipulate and in fact did manipulate the price of a commodity for future delivery on or subject to the rules of a board of trade, in wilful violation of sections 6(b) and 9 of the Commodity Exchange Act (7 U.S.C. 9, 13).

WHEREFORE, it is hereby ordered that this complaint and notice of hearing be served on the respondent. The respondent will have twenty (20) days after the receipt of this complaint in which to file with the Hearing Clerk, United States Department of Agriculture, Washington, D. C. 20250, an answer with an original and three 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 respondent is 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 10th day of November 1964, at Springfield, Massachusetts, at a place therein to be specified later, before a referee designated to conduct such hearing. At such hearing the respondent 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 respondent for such period of time as may be determined.

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

Done at Washington, D. C. OCT. 7 1964

[SEE SIGNATURE IN ORIGINAL]

George L. Mehren

Assistant Secretary

LOAD-DATE: June 12, 2008

