

Commodity Futures Trading Commission  
CEA CASES

**NAME:** CHARLES B. GRADY

**DOCKET NUMBER:** 49

**DATE:** AUGUST 31, 1948

**DOCUMENT TYPE:** COMPLAINT

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

In re Charles B. Grady, Respondent

CE-A Docket No. 49

Complaint and Notice of Hearing under the Commodity Exchange Act

The Secretary of Agriculture has reason to believe that the respondent, Charles B. Grady, has violated the provisions of the Commodity Exchange Act (7 U.S.C., Chapter 1), and the rules and regulations made pursuant to its requirements. In accordance with the provisions of Section 6(c) of the said Act (7 U.S.C. 9), this complaint is issued alleging as follows:

1.

The respondent, Charles B. Grady, a nonclearing member of the Chicago Open Board of Trade, is an individual whose business address is 171 West Quincy Street, Chicago, Illinois and whose residence address is 7546-1/2 Saginaw Avenue, Chicago, Illinois.

2.

The Chicago Open Board of Trade, hereinafter called the Open Board, was, prior to the time of the transactions described in this complaint, duly designated by the Secretary of Agriculture as a contract market, and has been a contract market continuously since that [ILLEGIBLE TEXT].

3.

The respondent, Charles B. Grady, was not registered with the Secretary of Agriculture as a futures commission merchant under the Commodity Exchange Act during any part of the calendar year 1945. On December 17, 1945, the respondent applied for registration as a futures commission merchant under the Commodity Exchange Act for the calendar year 1946 and was so registered. The respondent was subsequently registered as a futures commission merchant for the calendar years 1947 and 1948 and is now so registered,

4.

On or about August 1, 1945, the respondent, acting in the capacity of a futures commission merchant, received and accepted funds in the sum of \$ 1,250 from one Grace E. Olsen to margin, guarantee, and secure transactions in commodity futures to be executed on a contract market for the account and benefit of the said Grace E. Olsen. On February 7, 1946, and December 16, 1946, the respondent received and accepted additional funds in the sums of \$ 7,500 and \$ 2,000, respectively, to margin, guarantee, and secure additional transactions to be executed on a contract market for the account and benefit of the said Grace E. Olsen. The respondent subsequently reported to the said Grace E. Olsen that transactions in rye futures, corn futures, and cotton futures contracts had been executed for her account and benefit and that she had profited to the extent of approximately \$ 20,000 as the

result of such transaction. In truth and in fact, no such transactions for the account or benefit of the said Grace E. Olsen had been executed and no such profit had accrued, the respondent having converted to his own use the said sums of money received by him from the said Grace E. Olsen.

5.

On or about May 17, 1947, the respondent reported to one Kathryn B. Ungar that he had executed a purchase of corn futures contracts on the Open Board for her account, and that the said Kathryn B. Ungar had a long position in the corn futures market and an accrued profit as the result of such position. The said Kathryn B. Ungar thereupon accepted the said purchase, and delivered funds to the respondent in the sum of \$ 2,500 to margin, guarantee, and secure the same. In truth and [ILLEGIBLE TEXT] fact, no such purchase for the account or benefit of the said Kathryn B. Ungar had been executed and no such profit had accrued, the respondent having converted to his own use the said sum of \$ 2,500.

6.

On or about June 6, 1947, the said Kathryn B. Ungar authorized the respondent to execute a purchase of corn futures contracts for her account and delivered funds to the respondent in the sum of \$ 2,500 to margin, guarantee, and secure such purchases. The respondent received and accepted the said sum of money and subsequently delivered to the said Kathryn B. Ungar a statement purporting to show

that the respondent had purchased for her account, through Joseph D. Feeney and Company, 10,000 bushels of December corn futures contracts on the Open Board at \$ 1.58 5/8 per bushel. The said statement was false and deceptive in that no such purchase had been executed for the account of Kathryn S. Ungar, the respondent having converted the said sum of money to his own use and having executed the said purchase for his personal account carried by the said Joseph D. Feeney and Company.

7.

On or about November 27, 1945, the respondent, acting in the capacity of a futures commission merchant, solicited and accepted an order for the purchase of 10,000 bushels of May rye futures contracts on a contract market for the account of one Dr. Jap F. Swayne, and in connection therewith received and accepted funds in the sum of \$ 5,000 from the said Dr. Jap F. Swayne to margin, guarantee, and secure such purchase. The respondent subsequently reported to the said Dr. Jap F. Swayne that 10,000 bushels of May rye futures contracts had been purchased for his account at \$ 1.85 per bushel; that this transaction had been subsequently closed out at a loss of approximately \$ 287.50; that a new purchase of 10,000 bushels of May rye futures contracts at \$ 1.71 3/8 per bushel had been made for the account of the said Dr. Jap F. Swayne, and that the said Dr. Jap F. Swayne had a position in the rye futures market as a result of such

transactions, whereas, truth and in fact, no such purchases or sales had been executed, the respondent having converted the said sum of money to his own use.

8.

On or about June 9, 1947 respondent solicited and accepted an order for the purchase of 5,000 bushels of May oats futures contracts on a contract market for the account of one Patricia S. Marsh, and in connection therewith received and accepted funds in the sum of \$ 500 from the said Patricia S. Marsh to margin, guarantee, and secure such purchase. The respondent thereupon purchased 5,000 bushels of May oats futures contracts at 83 3/4 cents per bushel on the Open

Board for the account of the said Patricia S. Marsh through Joseph D. Feeney and Company. On July 7, 1947, without the knowledge or consent of the said Patricia S. Marsh, the respondent sold 5,000 bushels of May oats futures contracts on the Open Board which he caused to be entered in her account, but continued to represent to her that the original purchase remained open and that she had a position in the oats futures market. Subsequently, on or about July 30, 1947, the respondent solicited and accepted an additional order for the purchase of 5 000 bushels of May oats futures contracts on a contract market for the account of the said Patricia S. Marsh, and in connection therewith received and accepted additional funds from box in the sum of \$ 600 to margin, guarantee, and secure such purchase. On July 30, 1947 the

respondent delivered to the said Patricia S. Marsh a false statement on the form of Joseph D. Feeney and Company, which purported to show that the said Patricia S. Marsh had a long position of 10,000 bushels of May oats futures contracts and a credit balance of \$ 1,000, whereas, in truth and in fact, the said Patricia S. Marsh had no position in oats futures contracts and her account on the books of Joseph D. Feeney and Company showed a debit balance of \$ 194.50. On or about August 26, 1947, the respondent solicited and accepted additional funds from the said Patricia S. Marsh in the sum of \$ 1,700 to further margin, guarantee, and secure her account, and converted such funds to his own use.

9.

On or about October 11, 1946, October 11, 1947, October 28, 1947, and November 12, 1947, the respondent solicited and accepted orders for the purchase of corn futures, oats futures, and wheat futures contracts to be executed on a contract market for the account of one Ruth E. Olms, and in connection therewith received and accepted funds in the amounts of \$ 625, \$ 400, \$ 2, 000, and \$ 5,000, respectively, from the said Ruth E. Olms to margin, guarantee, and secure such purchases. The respondent thereafter reported to the said Ruth E. Olms that purchases of corn, oats, and wheat futures contracts had been executed for her account and benefit and that she had a long position

in the grain futures markets and accrued profits in her account, whereas, in truth and in fact, no such transactions had been executed, and no such profits had accrued, the respondent having converted the said sums of money to his own use.

10.

The transactions in commodity futures contracts, described in paragraphs 4, 5, 6, 7, 8, and 9 above, were capable of being used for hedging of 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.

11.

By reason of the transactions described in paragraphs 4 and 7 above, the respondent acted as a futures commission merchant without having previously registered with the Secretary of Agriculture as a futures commission merchant, in violation of Sec. 4d(1) of the Commodity Exchange Act.

12.

By reason of the transactions described in paragraphs 4, 5, 6, 7, 8, and 9 above, the respondent cheated and defrauded customers willfully made false reports to such customers, and willfully deceived such customers, all in violation of Sec. 4b of the Commodity Exchange Act.

13.

By reason of the transactions described in paragraphs 4, 5, 6, 7, 8, and 9 above, the respondent failed to treat and deal with money received from customers to margin, guarantee, and secure the trades and contracts of such customers, and money accruing to such customers as the result of such trades and contracts, as belonging to such customers, in violation of Sec. 4d(2) of the Commodity Exchange Act.

14.

By reason of the transactions described in paragraphs 4 and 7 above, the respondent falsely represented himself to be a futures commission merchant registered under the Commodity Exchange Act, or the agent of a registered futures commission Merchant, in violation of Sec. 4h(2) of the Commodity Exchange Act.

15.

By reason of the transactions described in paragraphs 4, 5, 6, 7, 8, and 9 above, the respondent falsely reported that orders for the purchase or sale of commodity futures had been executed on a contract market, in violation of Sec. 4h(2) of the Commodity Exchange Act.

Therefore, the said respondent, Charles S. Grady, is hereby notified to be and appear at a hearing to be held at 10:00 o'clock, a.m., c.s.t., on the 19th day of October 1948, in Room 1200, Board of Trade Building, 141 West Jackson Boulevard, Chicago, Illinois,

before a referee designated to conduct such hearing and there show cause, if any there be, why an order should not be made suspending or revoking the registration of the said Charles B. Grady, as a futures commission merchant under the Commodity Exchange Act, and directing that all contract markets refuse all trading privileges to the said respondent for such period of time as the Secretary of Agriculture may determine.

The respondent will have 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., in triplicate, an answer fully and completely stating the nature of the defense and admitting or denying specifically and in detail each material and relevant allegation of this complaint. Allegations that are not answered will be deemed admitted for the purpose of this proceeding.

It is ordered that this complaint and notice of hearing be served on the respondent by delivery of a true copy thereof by an employee of the Department of Agriculture, or by registered mail, at least 20 days prior to the date set for hearing.

Done at Washington, D. C., this 31 day of August 1948.

/s/ Charles F. Brannan  
Secretary of Agriculture

**LOAD-DATE:** June 16, 2008

