

Commodity Futures Trading Commission  
CEA CASES

**NAME:** KHALIL HADDAD

**CITATION:** 22 Agric. Dec. 137

**DOCKET NUMBER:** 110

**DATE:** FEBRUARY 20, 1963

**DOCUMENT TYPE:** DECISION AND ORDER

(No. 8185)

*In re* KHALIL HADDAD. CEA Docket No. 110. Decided February 20, 1963.

**Suspension of Registration -- Denial of Trading Privileges -- Default Order**

Respondent's failure to file an answer to the complaint constitutes an admission of the allegations of the complaint. Respondent's registration as a floor broker is suspended for six months and all contract markets are ordered to refuse all trading privileges to respondent for six months.

*Mr. Earl L. Saunders*, for Commodity Exchange Authority. *Mr. Jack W. Bain*, Hearing Examiner.

*Decision by Thomas J. Flavin, Judicial Officer*

**PRELIMINARY STATEMENT**

This is a proceeding under the Commodity Exchange Act (7 U.S.C. Chapter I), instituted by a complaint filed November 23, 1962, by an Assistant Secretary of Agriculture. The respondent, a member of the Chicago Mercantile Exchange and a registered floor broker under the act, is charged with attempting to cheat and defraud and cheating and defrauding persons in or in connection with the making of contracts of sale of a commodity for future delivery in violation of section 4b (A) of the act (7 U.S.C. 6b(A)). A copy of the complaint and a copy of the rules of practice were served upon respondent November 26, 1962.

At the time of service of the complaint, respondent was notified in writing that an answer thereto should be filed within 20

days after such service and that failure to file an answer would constitute an admission of the facts alleged in the complaint and a waiver of oral hearing. Notwithstanding such notice, respondent has not filed an answer. The matter was referred to Jack W. Bain, Hearing Examiner, Office of Hearing Examiners, United States Department of Agriculture, for the preparation of a report without further investigation or hearing pursuant to section 0.9(c) of the rules of practice (17 CFR 0.9(c)). On January 16, 1963, the hearing examiner or referee filed a report containing proposed findings of fact and conclusions and recommending that respondent's registration as a floor broker under the act be suspended for a period of six months and that all contract markets be ordered to deny all trading privileges to respondent for a period of six months. No exceptions to the hearing examiner's report were filed.

**FINDINGS OF FACT**

1. Respondent, Khalil Haddad, an individual whose place of business is 228 North La Salle Street, Chicago, Illinois, is now and was at all times material herein a floor broker registered under the act. The respondent was at all times material herein a member of the Chicago Mercantile Exchange, and an agent or

employee of a firm which is now, and was at all times material herein, a futures commission merchant registered under the act and a clearing member of the Chicago Mercantile Exchange.

2. The Chicago Mercantile Exchange is now and was at all times material herein a board of trade duly designated as a contract market under the act.

3. At all times material herein, respondent was authorized to solicit or accept commodity futures orders for and in the name of his employer, and was engaged in executing orders on the Chicago Mercantile Exchange on behalf of such employer and its customers. Respondent also performed clerical duties in connection with the maintenance of records for his employer pertaining to commodity futures transactions on the Chicago Mercantile Exchange and on other contract markets. In addition to respondent's duties for his employer, respondent traded in commodity futures in his personal account which was carried with the customers' accounts of his employer.

4. The futures transactions referred to herein relate to the

January 1962 frozen whole egg future and the September 1962 shell egg future on the Chicago Mercantile Exchange. Such future contracts could have been used for (a) hedging transactions in interstate commerce in eggs or the products or byproducts thereof, (b) determining the price basis of transactions in interstate commerce in eggs, and (c) delivering eggs sold, shipped, or received in interstate commerce for the fulfillment of such futures contracts.

5. On December 4, 1961, respondent caused two contracts of January 1962 frozen whole egg futures to be sold on the Chicago Mercantile Exchange and cleared by respondent's employer in its customers' account, but, in accordance with respondent's instructions to the bookkeeper of respondent's employer who recorded such transactions, the transactions were not allocated to any specific account.

6. On December 20, 1961, respondent sold two contracts of January 1962 frozen whole egg futures and caused two additional contracts of January 1962 frozen whole egg futures and one contract of September 1962 shell egg futures to be sold on the Chicago Mercantile Exchange. Respondent caused all such contracts to be cleared by his employer in its customers' account, but, in accordance with respondent's instructions to the bookkeeper of respondent's employer who recorded such transactions, the transactions were not allocated to any specific account.

7. On Thursday, January 11, 1962, an accountant from the Chicago office of the Commodity Exchange Authority visited the offices of respondent's employer to audit records of the firm. The bookkeeper referred to in Findings of Fact 5 and 6 above there upon asked respondent to give him the names of the persons for whom the sales referred to in Findings of Fact 5 and 6 above were made. Respondent instructed the bookkeeper to allocate the transactions to the accounts of six persons whose accounts with respondent's employer were handled by respondent. Pursuant to these instructions, the bookkeeper recorded the transactions in such accounts. The persons in whose accounts the contracts were placed had not authorized such transactions and had no knowledge of such transactions or of the bookkeeping entries made with respect to such transactions. At the time respondent gave the bookkeeper the instructions to place the transactions in the specified accounts, substantial losses had accrued with respect to each of the transactions.

8. The bookkeeper referred to in Findings of Fact 5 through 7 above insisted that the matters referred to in such findings be brought to the attention of the office manager of respondent's employer, and at a meeting held after the close of the market January 11, 1962, the office manager ordered that the transactions be liquidated on the following day.

9. Pursuant to the instructions of the office manager of respondent's employer, the futures transactions referred to in Findings of Fact 5 through 7 were liquidated January 12, 1962, at substantial losses. The liquidating transactions and losses were entered in the ledger accounts of the persons referred to in Finding of Fact 7 above in whose accounts the initial transactions had been placed. However, no statements were sent to such persons notifying them of such losses.

10. On Sunday, January 14, 1962, all the facts relating to the foregoing matters were brought to the attention of the president of respondent's employer, and the president of the firm determined that the futures transactions should be removed from the customers' accounts and that the losses should be charged to respondent's personal account. Pursuant to such determination, bookkeeping entries were made removing the transactions and losses from the customers' accounts and placing the transactions and losses in respondent's account.

#### **CONCLUSIONS**

Respondent has not answered the complaint. Under the rules of practice, his failure to do so constitutes an admission of all the material allegations therein and such allegations have been adopted as the Findings of Fact of this Decision and Order. By reason of the facts set forth therein, respondent willfully violated section 4b(A) of the act (7 U.S.C. 6b(A)). In view of the flagrant nature of the violation, it is concluded that respondent should be denied all trading privileges on contract markets for a period of six months and that the registration of respondent as a floor broker under the act should be suspended for the same period, as recommended by complainant.

#### **ORDER**

Effective March 18, 1963, the registration of the respondent, Khalil Haddad, as a floor broker under the Commodity Exchange Act is suspended for a period of six months, and all contract

markets shall refuse all trading privileges to the respondent for a period of six months, such refusal to apply to all trading done and positions held by the respondent, directly or indirectly.

A copy hereof shall be served upon the respondent and upon each contract market.

**LOAD-DATE:** June 8, 2008

