

Commodity Futures Trading Commission
CEA CASES

NAME: MILROSE BROKERAGE CO., INC., AND MILTON E. ROSENBERG

DOCKET NUMBER: 145

DATE: JANUARY 24, 1967

DOCUMENT TYPE: COMPLAINT

DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C. 20250

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

In re: Milrose Brokerage Co., Inc., and Milton E. Rosenberg, Respondents

CEA Docket No. 145

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

There is reason to believe that the respondents named herein have violated the Commodity Exchange Act (7 U.S.C. 1 et seq.), and the rules and regulations made pursuant thereto (17 CFR, Part I), 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 alleging as follows:

I

Respondent Milrose Brokerage Co., Inc., a Pennsylvania corporation with offices at 2033 Penn Avenue, Pittsburgh, Pennsylvania, is now, and was at all times material herein, registered as a futures commission merchant under the Commodity Exchange Act.

II

Respondent Milton E. Rosenberg, an individual whose address is 552 North Neville Street, Pittsburgh, Pennsylvania, is now, and was at all times material herein, the president of the respondent

corporation and its principal stockholder. At all such times, respondent Milton E. Rosenberg conducted, managed and controlled the affairs of the corporation as his own business. The operations of the corporation, hereinafter described, were ordered and directed or carried out by respondent Milton E. Rosenberg.

III

At the times hereinafter stated, the respondent corporation, in the regular course of its business as futures commission merchant, carried accounts for customers who traded in commodity futures. Such accounts, the trading therein, and the handling and disposition of funds in connection therewith, were subject to the provisions of the Commodity Exchange Act and the rules and regulations issued thereunder. At all such times, the respondent corporation had to its credit with a bank or other depository, sums of money in varying amounts, held in segregated account and identified as customers' funds, representing deposits of margin by and trading profits accruing to such customers.

IV

On 51 business days during the period from June 22, 1966, through September 6, 1966, the respondent corporation was under-segregated in amounts ranging from \$ 265.50 on June 22 to \$ 4,515.50 on June 29 -- that is, on the 51 days mentioned the total amount of customers' funds held

in segregation by the respondent corporation, as described in paragraph III hereof, was from \$ 265.50 to \$ 4,515.50 less than the amount necessary to pay all credits and equities due to such customers.

V

On 13 business days during the period from June 22, 1966, through July 11, 1966, and on 11 business days during the period from July 26, 1966, through August 9, 1966, the respondent corporation purchased and sold commodity futures for the use and benefit of certain customers and margined, guaranteed, or secured such purchases and sales with funds belonging to other customers of the respondent corporation. The funds so used ranged from \$ 254.25 on July 8, 1966, to \$ 2,406.25 on June 29, 1966.

VI

On 46 business days during the period from July 1, 1966, through September 6, 1966, the respondent corporation failed to prepare and maintain a daily segregation record setting forth the amount of money, securities and property of customers required to be kept in segregation, and during the months of June, July and August 1966, no monthly statements or accountings were sent to its customers.

VII

In June 1966 and prior to the acts and omissions described above, an examination of the books and records of the respondent corporation by the Commodity Exchange Authority disclosed that during the period from October 4, 1965, through March 6, 1966, the respondent corporation had not prepared a daily record of customers' funds required to be held in segregation, and that during the period from March 7, 1966, through June 6, 1966, the respondent corporation had become under-segregated on all but seven days. Representatives of the Commodity Exchange Authority informed respondent Milton E. Rosenberg that these matters constituted violations of the Commodity Exchange Act and regulations, and the said respondent promised the representatives of the Commodity Exchange Authority that necessary corrective measures would be taken and that such violations would not be repeated.

VIII

By reason of the facts alleged in this complaint, the respondents failed to treat and deal with customers' funds as belonging to such customers, failed to segregate and account separately for such funds, used funds to margin and guarantee the trades and secure and extend the credit of persons other than those for whom the same were held, failed to prepare and maintain or cause the preparation and maintenance of the records required under the Commodity Exchange Act and

regulations as a basis for such segregation and accounting, and failed to send customers required statements, in knowing and wilful violation of sections 4d and 4g of the Commodity Exchange Act (7 U.S.C. 6d, 6g), and sections 1.20, 1.21, 1.22, 1.32 and 1.33 of the regulations (17 CFR 1.20, 1.21, 1.22, 1.32, 1.33).

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 complaint in which to file with the Hearing Clerk, United States Department of Agriculture, Washington, D. C. 20250, 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 purposes 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 filing of an answer in which all of the material allegations of fact contained in the complaint are admitted likewise shall constitute a waiver of hearing unless a hearing is requested. The respondents are hereby notified that unless hearing is waived, a hearing will be held at 10:00 a.m., local time, on February 28, 1967, in Pittsburgh, Pennsylvania, 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 suspending or revoking the registration of respondent Milrose Brokerage Co., Inc., as futures commission merchant, and directing that all contract markets refuse all trading privileges to each respondent for such period of time as may be determined.

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

Done at Washington, D. C.

January 24, 1967.

[SEE SIGNATURE IN ORIGINAL]

Assistant Secretary

George L. Mehren

LOAD-DATE: June 12, 2008

