

Commodity Futures Trading Commission  
CEA CASES

**NAME:** SECRETARY OF AGRICULTURE V. ORVILLE K. RICHARDS AND HENRY J. NOVOTNY

**DOCKET NUMBER:** 24

**DATE:** NOVEMBER 5, 1940

**DOCUMENT TYPE:** COMPLAINT

UNITED STATES OF AMERICA

BEFORE THE SECRETARY OF AGRICULTURE

CE-A Docket No. 24

Secretary of Agriculture, Complainant, v. Orville K. Richards and Henry J. Novotny, Respondents.

Complaint and Notice of Hearing under the Commodity Exchange Act.

There being reason to believe that the respondents have violated the Commodity Exchange Act (7 U. S. C., 1934 ed. and Supp. IV, § 1-17a) and the rules and regulations promulgated pursuant thereto, this complaint is issued alleging the following:

1. Orville K. Richards and Henry J. Novotny were, between December 28, 1939, and August 24, 1940, co-partners trading and doing business under the firm name and style of O. K. Richards and Company, at Chicago, Illinois.

2. The partnership of Orville K. Richards and Henry J. Novotny, doing business as O. K. Richards and Company, was registered with the Secretary of Agriculture on December 28, 1939, as futures commission merchants for the calendar year 1940.

3. The respondent, Orville K. Richards, an individual trading and doing business at Chicago, Illinois, registered with the Secretary of Agriculture as a futures commission merchant on August 26, 1940, for the calendar year 1940.

4. The respondents, Orville K. Richards and Henry J. Novotny, were, during the period from December 28, 1939, to August 24, 1940, members of the Chicago Open Board of Trade, a contract market designated as such by the Secretary of Agriculture pursuant to the provisions of the Commodity Exchange Act.

5. From December 28, 1939, to August 24, 1940, the respondents, acting by and through the means of O. K. Richards and Company, a co-partnership of which they were the sole partners, were engaged, as futures commission merchants, in soliciting orders for the purchase and sale of commodities for future delivery on or subject to the rules of the Chicago Open Board of Trade; and, while so engaged, did accept orders from various persons for the purchase and sale of grains for future delivery and did receive funds from said persons to margin and guarantee the respective trades and contracts of said persons in such commodities and, as a result of such trades, received additional funds belonging to such persons; and, while so engaged, the respondents failed to account separately for the funds so received, in that on August 7, 1940, and various other dates during this period, there were due commodity customers

funds exceeding the amount segregated for the benefit of such customers. On August 7, 1940, the amount due customers in excess of the amount segregated for their benefit amounted to \$ 1,088.97, and the respondents did, in fact, use the funds so received for the general operating expenses of the respondents'

business, all in violation of the Commodity Exchange Act and the rules and regulations promulgated pursuant thereto.

6. The respondents, as co-partners acting by and through the means of O. K. Richards and Company, caused the books of this firm to show incorrectly the amount of customers' funds which should have been segregated, in that the records were made to show that a credit balance of \$ 495.50 in the account of Dr. V. H. Karpas, a commodity customer, was paid from the petty cash fund and the account closed on August 5, 1940, when, in fact, said credit balance had not been paid and the entry showing this payment constituted a false entry in the account of Dr. Karpas, all in violation of the Commodity Exchange Act and the rules and regulations promulgated pursuant thereto.

7. The respondents failed to keep true records showing the true name and address of the customers for whom an account was carried, in that the respondents carried on their records, as futures commission merchants, an account in the name of one Meyer Levine and recorded commodity trades therein and deposits of cash therein,

which trades were not made for Meyer Levine, but were made for the account of the respondents. This account showed a deficit balance and, therefore, concealed the extent to which the respondents were under-segregated with respect to customers' funds, all in violation of the Commodity Exchange Act and the rules and regulations promulgated pursuant thereto.

WHEREFORE, the respondents are hereby notified to be and appear before a referee to be designated by the Secretary of Agriculture at a hearing to be held at 10 a.m. on November 19, 1940, in Room 1026, at 332 South LaSalle Street, Chicago, Illinois, or at such other times and places as may be determined by the referee, and then and there show cause, if any there be, why an order shall not be made revoking the registration of Orville K. Richards and Henry J. Novotny, co-partners doing business as O. K. Richards and Company, and the registration of Orville K. Richards as a futures commission merchant, and directing that all contract markets, until further notice of the Secretary of Agriculture, refuse all trading privileges to the respondents.

IT IS ORDERED that this complaint and notice of hearing be served on the named respondents by delivery of true and correct copies hereof to the respondents by an employee of the Department

of Agriculture, or by registered mail, at least three days prior to the date herein set for the hearing.

(SEAL)

Done at Washington, D. C., this 5th day of November, 1940. Witness my hand and the seal of the Department of Agriculture.

/s/ Paul H. Appleby

Under Secretary of Agriculture.

**LOAD-DATE:** June 11, 2008

