

Commodity Futures Trading Commission
CEA CASES

NAME: JAY H. SCHMIDT

CITATION: 22 Agric. Dec. 134

DOCKET NUMBER: 107

DATE: FEBRUARY 8, 1963

DOCUMENT TYPE: DECISION AND ORDER

(No. 8184)

In re JAY H. SCHMIDT. CEA Docket No. 107. Decided February 8, 1963.

Reports -- Trading Limits -- Denial of Trading Privileges -- Consent Order

Respondent consented to an order directing all contract markets to refuse all trading privileges to respondent for 15 days.

Mr. Earl L. Saunders, for Commodity Exchange Authority. *Mr. Mitchell Edelson, Jr.*, of Chicago, Illinois, for respondent.

Decision by Thomas J. Flavin, Judicial Officer

PRELIMINARY STATEMENT

This is an administrative proceeding under the Commodity Exchange Act (7 U.S.C. Chapter 1), in which the respondent is charged with failing to submit a required report concerning transactions in egg futures on the Chicago Mercantile Exchange, with submitting false reports concerning transactions in egg futures, and with exceeding the maximum speculative trading and position limits in January 1962 shell egg futures, in violation of the act and the regulations issued thereunder.

No hearing has been held with respect to this proceeding. On January 28, 1963, the respondent submitted a stipulation under § 0.4(b) of the rules of practice (17 CFR 0.4(b)), in which he admits the facts hereinafter set forth under "Findings of Fact," waives hearing on the charges in the complaint, and consents to the entry of the order contained herein.

FINDINGS OF FACT

1. Respondent, Jay H. Schmidt, is an individual whose address is 3950 Lake Shore Drive, Chicago, Illinois.

2. The Chicago Mercantile Exchange is now, and was at all times material herein, a duly designated contract market under the Commodity Exchange Act.

3. On January 10, 11, and 12, 1962, the respondent held or controlled a net long position in shell egg futures on the Chicago Mercantile Exchange, which position ranged from 34 carlots to 64 carlots in a single future. By reason of the fact that such quantities were equal to or in excess of 25 carlots, the respondent

was in reporting status and was required to report to the Commodity Exchange Authority with respect to all transactions executed and all open contract positions held or controlled by him, in all egg futures on all boards of trade (exchanges) on said dates and with respect to all transactions by reason of which the respondent's position was reduced below reporting levels, as provided in section 4i of the Commodity Exchange Act (7 U.S.C. § 6i) and sections 15.01,

15.02, 15.03, 18.00, 18.01 and 18.03 of the regulations thereunder (17 CFR 15.01, 15.02, 15.03, 18.00, 18.01, 18.03).

4. On January 10, 11, 12, 1962, while the respondent was in reporting status as described in paragraph 3, and on January 15, 1962, when the respondent's position was reduced below 25 carlots, transactions in shell egg futures on the Chicago Mercantile Exchange were executed on his behalf, but the respondent failed or refused to submit a report to the Commodity Exchange Authority with respect to January 10, 1962, and submitted false reports with respect to January 11, 12, and 15, 1962.

5. During the period January 11 through January 15, 1962, the respondent held a speculative net long position in January 1962 shell egg futures on the Chicago Mercantile Exchange which ranged between 60 carlots and 64 carlots.

6. On January 15, 1962, the respondent made speculative sales of 65 carlots of January 1962 shell egg futures on the Chicago Mercantile Exchange.

CONCLUSIONS

Section 4i of the act (7 U.S.C. 6i) requires every person who trades in commodity futures to submit reports with respect to such trading "whenever such person shall directly or indirectly have or obtain a long or short position in any commodity or in any future of such commodity, equal to or in excess of such amount as shall be fixed from time to time by the Secretary of Agriculture." This section is implemented by sections 15.01, 15.02, 15.03, 18.00, 18.01, and 18.03 of the regulations (17 CFR 15.01, 15.02, 15.03, 18.00, 18.01, 18.03) which provide that a trader who holds or controls open contracts of 25 or more carlots of shell eggs in any one egg future shall be in reporting status and shall submit reports to the Commodity Exchange Authority for the first day on which he acquires a reportable position, for each day thereafter on which he has transactions

in any future of such commodity on any contract market or delivers or receives delivery of such commodity, and for the first day on which he no longer holds or controls a reportable position. It is established in findings of fact 3 and 4 that respondent was in reporting status with respect to January shell egg futures on January 10, 11, 12, and 15, 1962, but that he failed and refused to file a report on January 10, and filed false reports on January 11, 12, and 15, all in violation of the sections of the act and of the regulations cited above.

Section 4a of the Commodity Exchange Act (7 U.S.C. § 6a) empowers the Commodity Exchange Commission to "fix such limits on the amount of trading under contracts of sale of . . . [a] commodity for future delivery on or subject to the rules of any contract market which may be done by any person as the Commission finds is necessary to diminish, eliminate, or prevent" burdens on interstate commerce caused by excessive speculation. Pursuant to this section, a limit on the maximum net long or net short speculative position which any person may hold or control in the January shell egg future on or subject to the rules of any, one contract market was established as 50 carlots (17 CFR § 150.5). Likewise, a limit on the maximum speculative purchases and on the maximum speculative sales any person may make in the January shell future on or subject to the rules of any one contract market during any one business day was established as 50 carlots (17 CFR § 150.5). Findings of Fact 5 and 6 establish that respondent held a speculative net long position in January 1962 shell egg futures on the Chicago Mercantile Exchange in excess of said 50 carlot position limitation on each day during the period of January 11 through January 15, 1962, and made speculative sales of January shell egg futures on January 15, 1962, in excess of the 50 carlot daily trading limit, all in violation of § 4a of the act and § 150.5 of the regulations issued by the Commodity Exchange Commission.

The complainant states that the administrative officials of the Commodity Exchange Authority have carefully considered the proposed stipulation and order, and that they believe that the proposed sanction is adequate and that the prompt

entry, without further proceedings, of the order to which the respondent has consented will constitute a satisfactory disposition of this case as against the respondent, serve the public interest, and effectuate the purposes of the Act. The complainant, therefore, recommends that the stipulation and waiver submitted by the respondent

be accepted and that the proposed order be issued. It is so concluded.

ORDER

Effective March 15, 1963, all contract markets shall refuse all trading privileges to the respondent, Jay H. Schmidt, for a period of 15 days, such refusal to apply to all trading done and all positions held by the respondent directly or indirectly.

A copy of this decision and order shall be served on the respondent and on each contract market.

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