

Commodity Futures Trading Commission  
CEA CASES

**NAME:** THE SIEGEL TRADING CO., INC., JOSEPH E. SIEGEL, ALVIN C. WINOGRAD, AND D. PETER ANDERSON

**DOCKET NUMBER:** 159

**DATE:** MAY 5, 1969

**DOCUMENT TYPE:** COMPLAINT

UNITED STATES DEPARTMENT OF AGRICULTURE  
BEFORE THE SECRETARY OF AGRICULTURE

In re: The Siegel Trading Co., Inc., Joseph E. Siegel, Alvin C. Winograd, and D. Peter Anderson, Respondents

CEA Docket No. 159

Complaint and Notice of Hearing Under the Commodity Exchange Act

There is reason to believe that the respondents have violated the Commodity Exchange Act, as amended (7 U.S.C. 1 et seq.; Public Law 90-258) and the regulations made pursuant thereto (17 CFR, Chapter I), and in accordance with the provisions of sections 6(b) and 6(c) of the said act, this complaint and notice of hearing is issued stating the charges in that respect as follows:

I

Respondent The Siegel Trading Co., Inc., whose business address is 100 North La Salle Street, Chicago, Illinois, is now, and was at all times material herein, a corporation organized and existing under the laws of the State of Illinois, with its principal office and place of business in Chicago and branch offices at New York City and various other cities. The said corporation is now, and was at all such times, a clearing member of the Chicago Mercantile Exchange and the New York Mercantile Exchange, and a registered futures commission merchant under the Commodity Exchange Act, engaged in the business

of trading in commodities for future delivery for the accounts of customers.

II

Respondents Joseph E. Siegel and Alvin C. Winograd, individuals, whose business address is 100 North La Salle Street, Chicago, Illinois, are now, and were at all times material herein, President and Secretary-Treasurer, respectively, of the respondent corporation and registered floor brokers under the Commodity Exchange Act. At all such times the said respondents managed the business of the respondent corporation and the acts and transactions hereinafter described were initiated and carried out under their supervision as officers of the respondent corporation.

III

Respondent D. Peter Anderson, an individual whose business address is The Siegel Trading Co., Inc., 100 Hudson Street, New York, New York, is now, and was at all times material herein, employed by the respondent corporation as an account executive in its New York office.

IV

The Chicago Mercantile Exchange, the New York Mercantile Exchange and the New York Cotton Exchange are now, and were at all times material herein, duly designated contract markets under the Commodity Exchange Act.

V

On April 22 and 23, 1968, the respondent corporation, acting pursuant to orders given by respondent D. Peter Anderson on behalf of customers for whom he traded on a discretionary basis, executed purchases and sales of May 1968 Maine potato futures on the New York Mercantile Exchange, which in the regular course of business would have been closed out on a "day trade" basis. Instead of closing out such purchases and sales on a "day trade" basis, the said respondents wilfully offset the sales against purchases made on earlier days and thereafter offset the purchases against sales made on subsequent days. Closing out the purchases and sales made on April 22, 1968, and those made on April 23, 1968, in the manner described above, caused the customers to pay to the respondent corporation in connection with such trades, twice the amount of commissions that the customers would have paid if such trades had been closed out on a "day trade" basis, and operated to conceal from the customers for a period of time the true status of their accounts. With respect to such trades, the following tabulation shows (1) the names of the customers, (2) the quantity (one side only) executed each day for each customer, (3) the close-out commissions paid by each customer, (4) the financial results reported by the respondent corporation to each customer with respect to the transactions in which the sales made for the customer's account were offset against his previously held position, and (5) the commissions that would

have been payable by each customer and the financial results that would have been reported to each customer, if the purchases and sales had been closed out on a "day trade" basis.

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Customer	Date April 1968	Number of Contracts (One Side Only)	Commissions Paid and Financial Results Reported		Commissions Payable And Financial Results If Trades Closed Out On Day Trade Basis		
			Commission	Profit	Commission	Profit	Los
George Faludi	23	15	\$ 375.00	\$ 4,560.00	\$ 187.50	\$ 560.00	\$
J. Edward Kelly, Jr.	22	9	225.00	1,240.00	112.50		135
	23	11	275.00	1,895.00	137.50	545.00	
John L. Renjilian	23	3	75.00	865.00	37.50	75.00	
Jerome Schneir	22	11		275.00	1,230.00	137.50	165
	23	14	350.00	2,415.00	175.00	460.00	
Thomas Tracey	22	8	200.00	920.00	100.00		120
	23	10	250.00	1,715.00	125.00	320.00	
Herbert Weinstock	22	6	150.00	510.00	75.00		75.00
	23	10	250.00	1,735.00	125.00	545.00	

VI

The respondent corporation made entries in its books as of March 7, 1968, purporting to show that on that day it had purchased and sold March 1968 No. 2

cotton futures on the New York Cotton Exchange for the accounts of its customers, as follows:

Number of		Price	Customer
Purchased	Sold	Per Pound (Cents)	
1		31.42	Don C. Como
2		31.42	Robert E. Dorroh
6		31.42	Alan R. Schrift
	1	31.42	J. J. Neal
	1	31.51	J. L. Lewis, Jr.

The respondent corporation confirmed to each such customer each such trade purportedly made for his account. On the same date, March 7, 1968, the respondent corporation made additional entries in its books purporting to show that on that day it had sold one contract of March 1968 No. 2 cotton futures at a price of 31.42 cents per pound for its house account. In truth and in fact, as the respondent corporation knew, none of such sales and only four of such purchases were actually executed.

#### VII

On October 3, 1967, the respondent corporation received an order from Joseph E. Monahan, a customer, to purchase 100 bales of March 1968 No. 2 cotton futures on the New York Cotton Exchange at a price

of 31.92 cents per pound or better for his account. On the same day, the respondent corporation executed the said order at a price of 31.86 cents per pound and thereupon orally reported its execution to Joseph E. Monahan. The respondent corporation subsequently refused to confirm such execution in writing and on or about November 1, 1967, reported to Joseph E. Monahan that the said order had not been executed.

#### VIII

The futures transactions described in paragraphs V through VII were capable of being used for hedging 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.

#### IX

(a) As of April 19, 1968, the respondent corporation had failed to make any computation or permanent record, as of the close of business on April 15, 16 and 17, 1968, of the amount of money, securities, and property required to be held in segregated account in order to pay the credits and equities due to its customers, as provided in section 1.32 of the regulations (17 CFR 1.32) and as of August 12, 1968, had failed to make any such computation or record as of the close of business on August 1, 2, 5, 6, 7, 8 and 9, 1968.

(b) The segregation record prepared by the respondent corporation for March 29, 1968, was incomplete and inaccurate to an extent which made it impossible to determine whether the funds held by the respondent corporation for customers were, in fact, sufficient to pay all credits and equities due to customers.

(c) In preparing the daily computation and record of the amount of money, securities and property required to be held in segregation in order to pay the credits and equities due its customers during the period from November 29, 1967 through March 29, 1968, the respondent corporation failed to take into consideration the payments made to, and the payments received from, its carrying brokers for its customers' accounts. Such payments were in varying amounts ranging from \$ 10,000 to \$ 350,000.

(d) Between April 9 and July 16, 1968, the respondent corporation failed to keep a daily record showing, for each transaction executed by it on the Chicago Mercantile Exchange, the identity of the customer for whose account the transaction was executed and the identity of the floor broker on the opposite side of the transaction, as required by section 1.35 of the regulations (17 CFR 1.35).

(e) Between on or about August 1, 1967 and March 29, 1968, the respondent corporation failed to prepare contract ledger accounts showing its customers' trades carried with other futures commission merchants.

X

On January 10, 1964, pursuant to section 0.4(a) of the rules of practice governing administrative proceedings under the Commodity Exchange Act (17 CFR 0.4(a)), respondents The Siegel Trading Co., Inc., Joseph E. Siegel and Alvin C. Winograd entered into a stipulation in which they admitted:

As of December 10, 1963, The Siegel Trading Co., Inc., had failed to compute and keep a record as of the close of the market on each of 23 business days from November 5 through December 9, 1963, showing the amount of money, security, and property owing or accruing to its customers which it was required to have in segregated account for such customers in order to comply with the requirements of section 4d(2) of the Commodity Exchange Act. Previous failures to compute and keep such records were discussed with Joseph E. Siegel and Alvin C. Winograd by CEA accountants at various times, and continuing failures were called to the attention of Joseph E. Siegel and The Siegel Trading Co., Inc., by the Act Administrator in a letter dated October 18, 1963.

The said respondents, in such stipulation, admitted that "the acts and practices on the part of The Siegel Trading Co., Inc.," described above, "were directed and carried out under the supervision and control of respondents Joseph E. Siegel and Alvin C. Winograd in their capacities as president and secretary, respectively, of The Siegel Trading Co., Inc.," and agreed that they would "desist from such acts and practices in the future."

XI

By reason of the facts alleged in this complaint, (1) each of the respondents attempted to cheat and defraud and cheated and

defrauded customers, wilfully attempted to deceive and deceived customers, in violation of section 4b of the Commodity Exchange Act (7 U.S.C. 6b), and (2) respondents The Siegel Trading Co., Inc., Joseph E. Siegel and Alvin C. Winograd wilfully made false reports to customers, wilfully entered false records with respect to the trades and contracts of customers, wilfully confirmed fictitious trades, bucketed customers' orders, wilfully 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 the segregation of, and accounting for, customers' funds, and wilfully failed and refused to keep the books and records pertaining to futures transactions in the form and manner required by the Secretary of Agriculture, in violation of sections 4b, 4c, 4d and 4g of the Commodity Exchange Act (7 U.S.C. 6b, 6c, 6d and 6g) and sections 1.23, 1.32 and 1.35 of the regulations (17 CFR 1.23, 1.32 and 1.35).

WHEREFORE, it is hereby ordered that this complaint and notice of hearing be served upon the respondents and this proceeding shall be governed by sections 0.1, 0.2, 0.4(b), 0.5 through 0.22 and 0.28 of the rules of practice under the act (17 CFR 0.1, 0.2, 0.4(b), 0.5 through 0.22, 0.28). 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 three 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 purpose of this proceeding. Failure to file an answer will constitute an admission of all 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 this complaint are admitted likewise shall constitute a waiver of hearing unless a hearing is requested. The respondents are hereby notified that unless a hearing is waived, a hearing will be held at 10:00 a.m., local time, on June 24, 1969, in Chicago, Illinois, 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 appropriate order should not be issued in accordance with the act, (1) prohibiting the respondents from trading on or subject to the rules of any contract market, and directing that all contract markets refuse all trading privileges to the respondents for such period of time as may be determined, (2) directing that the respondents shall cease and desist from violating the act and regulations in the manner alleged herein, (3) suspending or revoking the registration of respondent The Siegel Trading Co., Inc., as futures commission merchant, and (4) suspending or revoking the registrations of respondents Joseph E. Siegel and Alvin C. Winograd as floor brokers.

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

Done at Washington, D. C.

May 5, 1969

[SEE SIGNATURE IN ORIGINAL]

Richard E. Lyng

Assistant Secretary

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

