

Commodity Futures Trading Commission  
CEA CASES

**NAME:** UNITED COMMODITY TRADERS OF IOWA, INC., D/B/A JADA CORPORATION, AND JAMES B. PEPPER

**CITATION:** 28 Agric. Dec. 6

**DOCKET NUMBER:** 157

**DATE:** JANUARY 30, 1969

**DOCUMENT TYPE:** DECISION AND ORDER

(No. 12,229)

*In re* UNITED COMMODITY TRADERS OF IOWA, INC., also d/b/a JADA CORPORATION, and JAMES B. PEPPER. CEA Docket No. 157. Decided January 30, 1969.

**Segregation of funds -- Records requirements -- Cease and desist -- Stipulation**

Respondents are ordered to cease and desist from failing to keep in segregated account the amount of money, securities and property required to be held in segregation and failing to prepare and maintain an accurate record as of the close of the market on each business day of the amounts held in such account.

*John J. Casey* for Commodity Exchange Authority.

*William J. Rawlings*, of Kindig, Beebe, McCluhan & Rawlings, Sioux City, Iowa, for respondents.

*Decision by Thomas J. Flavin, Judicial Officer*

**PRELIMINARY STATEMENT**

In this administrative proceeding under the Commodity Exchange Act (7 U.S.C. 1 *et seq.*), the respondents are charged with violating §§ 4d(2) and 4g of the Act (7 U.S.C. 6d(2) and 6g) and §§ 1.20, 1.21, 1.22, 1.23, 1.32 and 1.35 of the regulations thereunder (17 CFR 1.20, 1.21, 1.22, 1.23, 1.32 and 1.35).

No hearing has been held. The respondents have submitted a stipulation under § 0.4(b) of the rules of practice (17 CFR 0.4(b)), in which they admit the facts hereinafter set forth, waive hearing on the charges, and consent to the entry of the order contained herein.

**FINDINGS OF FACT**

1. Respondent United Commodity Traders of Iowa, Inc., also d/b/a Jada Corporation, is an Iowa corporation with offices at 201 Badgerow Building, Sioux City, Iowa, and is now, and was at all times material herein, registered as a futures commission merchant under the Commodity Exchange Act. On September 3, 1968, the stockholders of the said corporation formed a second corporation under the name of United Commodity Traders of Iowa, Inc., and it has taken over and continued the business of the first corporation incorporated under that name.

2. Respondent James B. Pepper, an individual whose business address is the same as that of the respondent corporation, is now, and was at all times material herein, a vice-president of the respondent corporation and was responsible for the corporate acts and transactions hereinafter described.

3. a. At the times hereinafter stated, the respondent corporation, in the regular course of its business as futures commission merchant, carried accounts of customers who traded in commodity futures on contract markets subject to the

provisions of the Commodity Exchange Act and the regulations thereunder. Such accounts, the trading therein, and the handling and disposition of funds in connection therewith, were subject to the provisions of the said act and regulations. At all such times, the respondent corporation had to its credit with banks or other depositories sums of money in varying amounts, held in segregated accounts and identified as customers' funds, representing deposits of margin by and trading profits accruing to such customers.

b. During the period between July 1, 1968, and August 8, 1968, both inclusive, the respondent corporation was continuously undersegregated in amounts ranging from \$ 1,423.85 on July 1, 1968, to \$ 2,759.85 on August 5, 1968, that is, throughout the period specified above, the total amount of customers' funds held in segregation as above described, was from \$ 1,423.85 to \$ 2,759.85 less than the amount necessary to pay all credits and equities due to such customers.

c. Under the regulations issued pursuant to the Commodity Exchange Act the respondent corporation was obligated during the period specified above to prepare and maintain a daily computation and record setting forth the amount of money, securities and property of its customers required to be held, and held, in

segregated accounts in accordance with the requirements of section 4d(2) of the Commodity Exchange Act (7 U.S.C. 6d(2)). On the daily computation and record that was prepared and kept by the respondent corporation to meet the requirements of the regulations during the period specified above, the respondent corporation showed that it had excess funds in segregation, whereas, in truth and in fact, the said corporation was undersegregated as stated above.

4. Prior to the acts and omissions described in paragraph 3 above, examination of the records of the respondent corporation by the Commodity Exchange Authority as of May 31, 1968, revealed that the firm was in an under-segregated condition on various dates in May 1968. On July 9, 1968, the Director of the Authority's Accounting and Licensing Division wrote a letter to respondent James B. Pepper in his capacity as vice-president of the respondent corporation, calling attention to the under-segregated condition of the firm revealed by the Authority's examination of its records as of May 31, 1968, informing him of the requirements of the Commodity Exchange Act relating to the treatment and handling of customers' funds, and affording the firm an opportunity to bring itself into compliance.

#### **CONCLUSIONS**

By reason of the facts set forth in the Findings of Fact, it is concluded that, as charged in the complaint, the respondents violated §§ 4d(2) and 4g of the Commodity Exchange Act (7 U.S.C. 6d(2) and 6g) and §§ 1.20, 1.21, 1.22, 1.23, 1.32 and 1.35 of the regulations thereunder (17 CFR 1.20, 1.21, 1.22, 1.23, 1.32 and 1.35).

The complainant states that the administrative officials of the Commodity Exchange Authority have carefully considered the stipulation and waiver submitted by the respondents. The administrative officials believe that the prompt entry of the proposed order would constitute a satisfactory disposition of this case, serve the public interest and effectuate the purposes of the Commodity Exchange Act. The complainant recommends, therefore, that the stipulation and waiver be accepted and that the proposed order be issued.

It is concluded that the complainant's recommendation should be adopted.

#### **ORDER**

United Commodity Traders of Iowa, Inc., also d/b/a Jada Corporation, United Commodity Traders of Iowa, Inc. (incorporated on September 3, 1968) and James B. Pepper shall cease and desist from: (1) failing to keep in segregated account

the amount of money, securities and property which must be in segregated account in order to comply with the requirements of section 4d(2) of the Commodity Exchange Act (7 U.S.C. 6d(2)); and (2) failing to prepare and maintain an accurate record as of the close of the market on each business day of the amount of money, securities, and property which must be in segregated account in order to comply with the requirements of section 4d(2) of the Commodity Exchange Act (7 U.S.C. 6d(2)).

A copy of this Decision and Order shall be served on each of the parties.

**LOAD-DATE:** June 10, 2008



