

Commodity Futures Trading Commission
CEA CASES

NAME: BENEDICT K. GOODMAN

CITATION: 21 Agric. Dec. 101

DOCKET NUMBER: 105

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(No. 7590)

In re BENEDICT K. GOODMAN. CEA Docket No. 105. Decided February 8, 1962.

Speculative Position Limits -- Reporting Requirements -- Denial of Trading Privileges -- Consent Order

All contract markets are ordered to refuse all trading privileges to respondent for one year.

Mr. Donald A. Campbell, for Commodity Exchange Authority. Respondent *pro se*.

Decision by Thomas J. Flavin, Judicial Officer

PRELIMINARY STATEMENT

This is an administrative proceeding, under the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), instituted by a complaint and notice of hearing issued under § 6(b) of the Act (7 U.S.C. § 9) on February 8, 1962, by the Assistant Secretary of Agriculture.

The complaint charges that from November 5, 1958, until April 20, 1959, the respondent exceeded the 2,000,000 bushel speculative limit applicable to trading in soybeans for future delivery on a contract market, in violation of § 4a of the Commodity Exchange Act (7 U.S.C. § 6a) and the order of the Commodity Exchange Commission establishing limits on positions and trading in soybeans for future delivery (17 CFR § 150.4).

The complaint also charges that on various dates during the period from November 5, 1958, through April 20, 1959, the respondent failed to file required reports with respect to his trading and positions in soybean futures; and that during the period from December 9, 1958, through April 13, 1959, the respondent filed reports with respect to his trading and positions in soybean and wheat futures, but failed to include in such reports the trading and positions in his accounts carried in the name of the Library Plaza Corporation. It is alleged that by reason of such facts, the respondent violated § 4i of the Commodity Exchange Act (7 U.S.C. § 6i) and §§ 2.10, 2.11, 2.12, and 2.21 of the regulations issued by the Secretary (17 CFR §§ 2.10, 2.11, 2.12, and 2.21).

No hearing has been held with respect to this proceeding. On February 8, 1962, the respondent submitted a stipulation under § 0.40(b) of the rules of practice (17 CFR § 0.4(b)), in which he admits the facts hereinafter set forth, waives hearing on the charges, and consents to the entry of the order contained herein.

FINDINGS OF FACT

1. The respondent is now and was at all times material herein a member of the Board of Trade of the City of Chicago, hereinafter referred to as the Chicago Board of Trade, a duly designated contract market under the Commodity Exchange Act.

2. At all times material herein, the respondent owned grain futures accounts carried in his own name and grain futures accounts carried in the name of the Library Plaza Corporation, 636 Church Street, Evanston, Illinois, and all profits or losses from the trading in such accounts inured to him.

3. From November 5, 1958, until April 20, 1959, the respondent held, in accounts in his own name and in accounts in the

name of the Library Plaza Corporation, total speculative net long positions in soybean futures on the Chicago Board of Trade in excess of 2,000,000 bushels. Such positions ranged from 2,045,000 bushels to 2,740,000 bushels, and the maximum position of 2,740,000 bushels was held continuously from March 18, 1959, through April 7, 1959.

4. From November 5, 1958, through April 20, 1959, the positions in soybean futures on the Chicago Board of Trade in accounts owned by the respondent exceeded 200,000 bushels in a single future and, therefore, he was in a reporting status during such period and was required to report to the Commodity Exchange Authority with respect to all transactions executed and all positions held during such period for all of his accounts in soybean futures. On November 5, 6, 7, 10, 12, 13, and 19, 1958; January 21, 1959; February 6, 1959; and April 8, 9, 14, 17, and 20, 1959, the respondent executed soybean futures transactions in one or more of his accounts carried in the name of the Library Plaza Corporation, but he filed no reports with respect to such transactions and his positions on such dates.

5. The respondent filed reports with the Commodity Exchange Authority, with respect to trading and positions in soybean futures on the Chicago Board of Trade in accounts carried in his own name on December 9, 10, 11, 17, 19, 23, 29, and 30, 1958; January 9, 14, 15, 16, 19, and 27, 1959; February 2, 3, 4, 5, 10, and 17, 1959; March 17, 18, and 24, 1959; and April 1, 6, 7, 10, and 13, 1959, but he failed to include in such reports the trading and positions in his accounts carried in the name of the Library Plaza Corporation.

6. From January 12, 1959, until March 19, 1959, the positions in wheat futures on the Chicago Board of Trade in accounts owned by the respondent exceeded 200,000 bushels in a single future and, therefore, he was in a reporting status and was required to report to the Commodity Exchange Authority with respect to all transactions executed and all positions held during the period from January 12, 1959, through March 19, 1959, for all of his accounts in wheat futures. The respondent filed reports with the Commodity Exchange Authority, with respect to trading and positions in wheat futures on the Chicago Board of Trade in accounts carried in his own name on January 12, 13, 16, and 29, 1959; February 5, 16, 17, 26, and 27, 1959; and March 3, 4, 5, 6, 9, 10, 12, 16, 17, 18, and 19, 1959, but

he failed to include in such reports, the trading and positions in his accounts carried in the name of the Library Plaza Corporation.

7. At all times material herein, the respondent was aware of his obligations under the Act and the regulations with respect to speculative position limits and reporting requirements. During February 1956, he held speculative positions in rye futures on the Chicago Board of Trade which exceeded the maximum permissible limit, and after notification by the Commodity Exchange Authority, he brought himself into compliance by reducing such positions. At or about the same time, the Commodity Exchange Authority furnished him with written information as to the speculative position limits applicable to regulated commodities, and notified him that the holding of positions in excess of such limits constitutes a violation of the Act.

8. On April 14, 1958, a complaint was filed pursuant to § 6 (b) of the Act alleging that from December 31, 1957, through February 21, 1958, the respondent,

Goodman, held total speculative net long positions in the March 1958 rye future, and total speculative net long position in all rye futures combined, on the Chicago Board of Trade which resulted in positions in excess of the maximum permissible quantity of 500,000 bushels, in violation of § 4a of the Act (7 U.S.C. § 6a), and the order of the Commodity Exchange Commission establishing limits on positions and trading in rye for future delivery (17 CFR § 150.3). The complaint also alleged that from December 31, 1957, through February 21, 1958, he was in a reporting status and was required to report to the Commodity Exchange Authority with respect to all transactions executed and all positions held for his account in all rye futures on all boards of trade during such period, and failed or refused to report such purchases and sales and the resulting positions to the Commodity Exchange Authority, in violation of § 4i of the Act (7 U.S.C. § 6i), and the rules and regulations issued by the Secretary (17 CFR §§ 2.10, 2.11, 2.12, and 2.21). The Judicial Officer found that he violated the Act and the regulations, as alleged in the complaint, and on October 12, 1959, the Judicial Officer issued an order requiring all contract markets to refuse all trading privileges to the respondent for a period of 20 days (18 Agric. Dec. 1121 (18 A.D. 1121)). On appeal, the order of the Judicial Officer as sustained (*Goodman v. Benson*, 286 F. 2d 896 (C. A. 7)).

CONCLUSIONS

Section 4a of the Act (7 U.S.C. § 6a) directs 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. The "limit on the maximum net long or net short position which any person may hold or control in soybeans on or subject to the rules of any one contract market is 2,000,000 bushels in any one future or in all futures combined" (17 CFR § 150.4). The facts described in Finding of Fact No. 3 demonstrate that the respondent violated § 4a of the Act and § 150.4 of the regulations issued by the Commodity Exchange Commission.

It is provided in § 4i of the Act that it "shall be unlawful for any person to make any contract for the purchase or sale of any commodity for future delivery on or subject to the rules of any contract market unless such person shall report or cause to be reported to the properly designated officer in accordance with the rules and regulations of the Secretary of Agriculture * * * 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" (7 U.S.C. § 6i). The amount fixed by the Secretary of Agriculture for filing reports as to trading and positions in grain futures is 200,000 bushels (17 CFR § 2.21). The facts set forth in Finding of Fact Nos. 4 through 6 demonstrate that on numerous occasions during the period from November 5, 1958, through April 20, 1959, the respondent (1) failed to file required reports with respect to his trading and positions in soybean futures, and (2) filed reports with respect to his trading and positions in soybean and wheat futures, but failed to include in such reports trading and positions in his accounts carried in the name of the Library Plaza Corporation, in violation of § 4i of the Act (7 U.S.C. § 6i), and §§ 2.10, 2.11, 2.12, and 2.21 of the regulations issued by the Secretary (17 CFR §§ 2.10, 2.11, 2.12, and 2.21).

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 said 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 12, 1962, all contract markets shall refuse all trading privileges to Benedict K. Goodman for a period of one year, such refusal to apply to all trading done and positions held by the said Benedict K. Goodman directly or indirectly.

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