

Commodity Futures Trading Commission
CEA CASES

NAME: ARNOLD B. HOLLAND, WILLIAM B. BRODSKY, WILLIAM B. BRODSKY & COMPANY, INC.,
HOLLAND COMMODITIES CORPORATION, AND HOLLAND OVSON COMPANY

DOCKET NUMBER: 59

DATE: JULY 20, 1953

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UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

In re: Arnold B. Holland, William B. Brodsky, William B. Brodsky & Company,
Inc., Holland Commodities Corporation, and Holland Ovson Company, Respondents

CEA Docket No. 59

Complaint and Notice of Hearing under the Commodity Exchange Act

The Secretary of Agriculture has reason to believe that the respondents, Arnold B. Holland, William B. Brodsky, William B. Brodsky & Company, Inc., the Holland Commodities Corporation, and the Holland Ovson Company, have violated the provisions of the Commodity Exchange Act (7 U.S.C., Chapter 1) and the rules and regulations made pursuant to its requirements (17 CFR, Chapter 1). In accordance with the provisions of section 6(b) of the Commodity Exchange Act (7 U.S.C. 9), this complaint and notice of hearing is issued alleging as follows:

I

Respondent Arnold B. Holland, an individual residing at 787 Baldwin Road, Highland Park, Illinois, is now and was at all times material to this complaint a member of the Chicago Mercantile Exchange and a registered floor broker under the Commodity Exchange Act.

II

Respondent William B. Brodsky, an individual residing at 1152 Oak Street, Winnetka, Illinois, is now and was at all times material to this complaint a member of the Chicago Mercantile Exchange and a registered floor broker under the Commodity Exchange Act.

III

During the calendar year 1952, respondents Arnold B. Holland and William B. Brodsky were officers of and constituted the sole ownership and management of the Holland Brodsky Company, a corporation organized under the laws of the state of Illinois, with its office and principal place of business at 110 North Franklin Street, Chicago, Illinois. The said corporation was registered with the Secretary of Agriculture as a futures commission merchant under the Commodity Exchange Act, and such registration was due to expire on December 31, 1952. Upon application made prior to the said date, the said corporation was registered as a futures commission merchant for the calendar year 1953, and it operated as such until about January 19, 1953.

IV

Respondent William B. Brodsky and Company, Inc., a corporation, was organized under the laws of the state of Illinois shortly before January 21, 1953, and has its office and principal place of business at

110 North Franklin Street, Chicago, Illinois. Respondent William B. Brodsky is President of the said corporation and the owner of 98 per cent of its capital stock, and the membership of respondent William B. Brodsky in the Chicago Mercantile Exchange is registered for the benefit of respondent William B. Brodsky and Company, Inc., enabling the said corporation to enjoy membership trading privileges and clearing privileges on the said exchange. On January 21, 1953, the said corporation applied for and was registered as a futures commission merchant under the Commodity Exchange Act for the calendar year 1953. Such registration is now in effect.

V

On January 14, 1953, the Holland Brodsky Company notified the Commodity Exchange Authority that the corporate name had been changed to the Holland Commodities Corporation on December 31, 1952. On January 16, 1953, respondent Holland Commodities Corporation applied for registration as a futures commission merchant in its new name, and requested the discontinuance of the registration of the Holland Brodsky Company as a futures commission merchant. Respondent Holland Commodities Corporation was thereupon registered as a futures commission merchant under the Commodity Exchange Act for the calendar year 1953. In its application for registration, the Holland Commodities Corporation stated that respondent Arnold B. Holland was President of the said corporation and the owner of 92 per cent of its capital stock. On June 3, 1953, the Holland Commodities Corporation

notified the Commodity Exchange Authority that it had ceased to do business as a futures commission merchant. The said notice did not specify or otherwise indicate that the said corporation had been dissolved, and its registration as a futures commission merchant is still in effect.

VI

Respondent Holland Ovson Company, a corporation, was organized under the laws of the state of Illinois on or about May 19, 1953, with respondent Arnold B. Holland as Vice-President, and Leo D. Ovson and Eugene P. Ovson, not respondents herein, as President and Secretary-Treasurer, respectively. The said corporation uses the same office and the same office equipment previously used by respondent Holland Commodities Corporation and by the Holland Brodsky Company. The membership in the Chicago Mercantile Exchange of respondent Arnold B. Holland is owned by and held as an asset of the Holland Ovson Company, enabling the said corporation to enjoy membership trading privileges and clearing privileges on the said Exchange. On June 2, 1953, the Holland Ovson Company applied for and was registered as a futures commission merchant under the Commodity Exchange Act, and such registration is still in effect.

VII

At all times material to this complaint, the Chicago Mercantile Exchange was a duly designated contract market under the Commodity Exchange Act.

VIII

At the close of business on September 9, 1952, the books of the Holland Brodsky Company showed, as belonging to customers who were trading in commodity futures subject to the Commodity Exchange Act and regulations, (hereinafter called regulated commodity accounts), approximately \$ 49,312, representing deposits of margin money and accruals from trades by such customers. At the same time, the said corporation had on deposit with a bank and with the Chicago Mercantile Exchange Clearing House approximately \$ 54,181, properly segregated and identified as customers' funds, in accordance with the requirements of the Commodity Exchange Act and regulations, the difference of approximately \$ 4,869 representing a surplus or residual interest belonging to the Holland Brodsky Company. On September 10, 1952, respondent William B. Brodsky drew a check on

the customers' segregated funds bank account of the Holland Brodsky Company in the amount of \$ 18,951, payable to the order of one Aaron B. Weiner, who was trading in a joint account with respondent Arnold B. Holland. Such joint account was not subject to segregation, and the said Aaron B. Weiner had no interest in and no right to any part of such segregated funds. The said check was paid in due course, and created a shortage of approximately \$ 13,842 in segregated funds belonging to customers of the Holland Brodsky Company.

IX

The said \$ 18,951 withdrawn from segregated funds of the Holland Brodsky Company on September 10, 1952, described in paragraph VIII, was

not deducted from the bank balance shown on the books of the said corporation until November 28, 1952, with the result that, until the said date, the books of the Holland Brodsky Company showed that the firm had a continuous residual interest in segregated funds whereas, in truth and in fact, there was a continuous shortage in such funds.

X

At all times between September 10, 1952 and December 31, 1952, respondents Arnold B. Holland and William B. Brodsky operated the Holland Brodsky Company by using money belonging to customers, and at all times during this period the said corporation was in an under-segregated status -- that is, the balance of funds held in segregation was less than the amount necessary to pay all credits owing to customers entitled to payment out of such funds. At the close of business on September 30, 1952, the shortage in segregated funds was approximately \$ 11,878, and on October 1, 1952, the said respondents made a further unauthorized withdrawal of \$ 5,000, thereby increasing such shortage to approximately \$ 16,878. On December 31, 1952, the shortage was approximately \$ 5,213.

XI

The under-segregated status of the Holland Brodsky Company continued after the name of the corporation was changed, and the Holland Commodities Corporation was under-segregated during the greater part of the period between January 1, 1953, and April 30, 1953, and at all times between May 1,

1953 and June 3, 1953, when it notified the Commodity Exchange Authority that it was ceasing to do business as a futures commission merchant, as above described. On May 19, 1953, when the shortage in segregated funds was approximately \$ 793, the said corporation made an unauthorized withdrawal of \$ 1,000 from such funds, thereby increasing the shortage to approximately \$ 1,793. The Holland Commodities Corporation continued to carry customers' regulated commodity accounts after June 3, 1953, without having sufficient funds in segregation to pay sums owing to such customers. As of June 14, 1953, the deficit was approximately \$ 1,545.

XII

At the close of business on May 21, 1953, the Holland Commodities Corporation had on its books a regulated commodity account controlled by the aforementioned Leo D. Ovson and Eugene P. Ovson, in which there were open trades and a credit balance of approximately \$ 1,675. On May 22, 1953, the Holland Commodities Corporation transferred the said account and credit balance, together with all money held in segregation, to the Holland Ovson Company thereby depleting the entire fund segregated as belonging to customers of the Holland Commodities Corporation. The said transfer was effected by means of two letters to the Chicago Mercantile Exchange, one letter signed by respondent Arnold B. Holland as an officer of the Holland Commodities Corporation directing the exchange to make such transfer, and the other letter signed by respondent Arnold B. Holland

as an officer of the Holland Ovson Company accepting the said transfer on behalf of the

Holland Ovson Company. At the time of such transfer, there were on the books of the Holland Commodities Corporation other regulated commodity accounts with no open trades and free credit balances aggregating approximately \$ 1,545. Such accounts were left on the books of the Holland Commodities Corporation without any funds in segregation to satisfy such credit balances, and were in that statue as of June 14, 1953.

XIII

The unauthorized withdrawal and use of segregated funds by the Holland Brodsky Company, and the falsification of the records of the said corporation in order to conceal the shortage in segregated funds, as described in paragraphs VIII, IX, and X, took place under the direction and control of respondents Arnold B. Holland and William B. Brodsky, acting as officers of the Holland Brodsky Company. The organization of a new corporation of which respondent William B. Brodsky is practically the sole owner and beneficiary, and the use by such corporation of the Chicago Mercantile Exchange membership belonging to respondent William B. Brodsky, as described in paragraph IV, enables the said respondent to continue to operate as a futures commission merchant through such new corporation. The continuation of the under-segregated status of the Holland Brodsky Company after its registration as a futures commission merchant under the name of the Holland Commodities Corporation, and the further unauthorized withdrawals and use of segregated funds by the Holland Commodities Corporation, as described

in paragraph XI, took place under the direction and control of respondent Arnold B. Holland in his capacity as President of the Holland Commodities Corporation. The organization of the Holland Ovson Company, the transfer to it of one of the accounts and all of the segregated funds of the Holland Commodities Corporation, and the ownership and use by it of the Chicago Mercantile Exchange membership belonging to respondent Arnold B. Holland, as described in paragraphs VI and XII, took place under the direction and control of respondent Arnold B. Holland as an individual and as a responsible officer of the Holland Commodities Corporation and the Holland Ovson Company.

XIV

By reason of the acts described above, the respondents, Arnold B. Holland, William B. Brodsky, William B. Brodsky and Company, Inc., the Holland Commodities Corporation, and the Holland Ovson Company, wilfully failed to treat and deal with all money received from customers to margin and secure their trades and all profits accruing to such customers as a result of such trades, as belonging to such customers, wilfully failed to account for such money separately, wilfully commingled such money with their own funds, wilfully used such money to secure and extend the credit of a customer other than those for whom such money was held, and wilfully failed accurately to reflect their interest in customers' segregated funds, in violation of section 4d(2) of the Commodity Exchange Act (7 U.S.C. 6d(2)) and sections 1.20-1.23, inclusive, of the rules and regulations thereunder (17 CFR 1.20-1.23).

Therefore, the said respondents, Arnold B. Holland, William B. Brodsky, William B. Brodsky and Company, Inc., the Holland Commodities Corporation, and the Holland Ovson Company, are hereby notified to be and appear at a hearing to be held at 10 a.m., Central Daylight Saving time, on the 18th day of August, 1953, in Room 1200, Board of Trade Building, 145 West Jackson Boulevard, Chicago, Illinois, before a referee designated to conduct such hearing, and then and there show cause, if any there by, why an order should not be made revoking or suspending the registrations as futures commission merchants of respondents

William B. Brodsky and Company, Inc., the Holland Commodities Corporation, and the Holland Ovson Company, revoking or suspending the registrations as floor brokers of respondents Arnold B. Holland and William B. Brodsky, and directing that all contract markets refuse all trading privileges to all the respondents for such period of time as may be determined by the Secretary of Agriculture.

The respondents will have 20 days after the receipt of this notice of hearing in which to file with the Hearing Clerk, United States Department of Agriculture, Washington 25, D. C., in triplicate, an answer fully and completely stating the nature of the defense and admitting or denying specifically and in detail each material and relevant allegation of this complaint. Allegations that are not answered will be deemed admitted for the purpose of this proceeding.

It is ordered that this complaint and notice of hearing be served

on the respondents by delivery of a true copy thereof by an employee of the Department of Agriculture, or by registered mail, at least 20 days prior to the date set for hearing.

Done at Washington, D. C.

this 20 day of July, 1953

/s/ J. Earl Coke

Acting Secretary of Agriculture

LOAD-DATE: June 12, 2008

