

Commodity Futures Trading Commission
CEA CASES

NAME: JAMES E. BAGGOT JR., DONALD W. MORRISON, AND BAGGOT AND MORRISON

DOCKET NUMBER: 93

DATE: APRIL 27, 1960

DOCUMENT TYPE: COMPLAINT

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

In re: James E. Baggot, Jr. Donald W. Morrison, and Baggot and Morrison,
Respondents

CEA Docket No. 93

Complaint and Notice of Hearing Under Section 6(b) of the Commodity Exchange Act

There is reason to believe that James E. Baggot, Jr., and Donald W. Morrison, doing business as Baggot and Morrison, have violated the Commodity Exchange Act (7 U.S.C. 1958 ed., Chapter 1) and the rules and regulations made pursuant thereto, and in accordance with the provisions of section 6(b) of said act (7 U.S.C. 1958 ed., § 9), this complaint and notice of hearing is issued stating the charges in that respect as follows:

I

Respondents James E. Baggot, Jr., and Donald W. Morrison, individuals, are now and were at all times material to this complaint partners, doing business under the firm name of Baggot and Morrison, with offices and a place of business at 141 West Jackson Boulevard, Chicago, Illinois. The said partnership is now and was at all such times a registered futures commission merchant under the Commodity Exchange Act. Each of the said individual respondents is now and was at all such times a member of the Board of Trade of the City of Chicago, and since

June 29, 1959, respondent James E. Baggot, Jr., has been a registered floor broker under the Commodity Exchange Act.

II

The Board of Trade of the City of Chicago, hereinafter called the Chicago Board of Trade, is now and was at all times material to this complaint a duly designated contract market under the Commodity Exchange Act.

III

At the times hereinafter stated, respondent Baggot and Morrison, in the regular course of the partnership business, had on its books accounts of customers who were trading in commodities for future delivery on or subject to the rules of the Chicago Board of Trade. Such accounts, the trading therein, and the handling and disposition of funds in connection therewith, were subject to the provisions of the Commodity Exchange Act and the rules and regulations issued thereunder. At all such times, respondent Baggot and Morrison had to its credit with a bank and with the Board of Trade Clearing Corporation, money and securities in varying amounts, held in segregated accounts and identified as customers funds, representing deposits of margin by and trading profits belonging to such customers.

IV

On the following days, respondent Baggot and Morrison was in an undersegregated condition, that is, the total amount of customers' funds held in segregation by the firm, as described in paragraph III, was insufficient to pay all credits and equities due to such customers:

(a) On October 31, 1958, respondent Baggot and Morrison was undersegregated in the amount of approximately \$ 5,620. The said deficit was called to the attention of respondents James E. Baggot, Jr., and Donald W. Morrison by the Commodity Exchange Authority and the matter was discussed with the said respondents.

(b) On each business day between March 30, 1959, and April 9, 1959, both inclusive, respondent Baggot and Morrison was undersegregated in amounts ranging from approximately \$ 736 to approximately \$ 5,281. The said deficits were called to the attention of respondents James E. Baggot, Jr., and Donald W. Morrison by a representative of the Commodity Exchange Authority, who again discussed with the said respondents the necessity for maintaining sufficient funds in segregation to meet the requirements of the Commodity Exchange Act and the pertinent regulations.

(c) On forty (40) business days between October 27, 1959, and December 31, 1959, both inclusive, respondent Baggot and Morrison was undersegregated in amounts ranging from approximately \$ 291 to approximately \$ 37,416. Within this period, the firm was continuously undersegregated from October 27 through December 1, 1959, and on each day during November 1959 the amount of undersegregation exceeded \$ 19,000. Respondents James E. Baggot, Jr., and Donald W. Morrison were aware of such undersegregated conditions at all times during such periods.

(d) On February 29, 1960, respondent Baggot and Morrison was undersegregated in the amount of approximately \$ 498.

V

By reason of the acts described in paragraph IV, respondents James E. Baggot, Jr., Donald W. Morrison, and Baggot and Morrison knowingly failed to treat and deal with customers' funds as belonging to such customers, knowingly failed to segregate and to account separately for such funds, and knowingly used funds to margin and guarantee the trades and secure and extend the credit of customers other than those for whom such funds were held, in wilful violation of section 4d(2) of the

Commodity Exchange Act (7 U.S.C. 1958 ed., § 6d(2)), and sections 1.20, 1.21, and 1.22 of the rules and regulations (17 CFR 1.20, 1.21, 1.22).

Wherefore, it is hereby ordered that this complaint and notice of hearing be served upon each of the said respondents. The respondents will have twenty (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., an answer with an original and five copies, 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 not answered will be deemed admitted for the purpose of this proceeding. Failure to file an answer will constitute an admission of all the material allegations of this complaint and a waiver of hearing. The respondents are hereby notified that unless hearing is waived, either expressly or by failure to file an answer and request a hearing, a hearing will be held at 10:00 a.m., local time, on the 23rd day of June, 1960, 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 order should not be made

suspending or revoking the registration of respondent Baggot and Morrison as a futures commission merchant and the registration of respondent James E. Baggot, Jr., as a floor broker, and directing that all contract markets refuse all trading privileges to all the respondents for such period of time as may be determined.

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.,

April 27th , 1960.

/s/ Clarence L. Miller

Clarence L. Miller

Assistant Secretary

LOAD-DATE: June 12, 2008

