

Commodity Futures Trading Commission
CEA CASES

NAME: CHARLES HAAG

CITATION: 23 Agric. Dec. 517

DOCKET NUMBER: 116

DATE: MAY 11, 1964

DOCUMENT TYPE: DECISION AND ORDER

(No. 9079)

In re CHARLES HAAG. CEA Docket No. 116. Decided May 11, 1964.

Trading Limits -- Reports -- Denial of Trading Privileges -- Default

All contract markets are directed to refuse trading privileges to respondent for a period of 6 months for exceeding trading and position limits in egg futures and for falsification of reports and failure to file required reports.

Mr. Earl L. Saunders, for Commodity Exchange Authority. *Mr. Benj. M. Holstein*, Hearing Examiner.

Decision by Thomas J. Flavin, Judicial Officer

PRELIMINARY STATEMENT

This is a proceeding under the Commodity Exchange Act (7 U.S.C. Chapter 1), in which the respondent, a trader in commodity futures, is charged with failure to submit required reports concerning transactions in egg futures and soybean futures and with submitting false reports concerning transactions in egg futures, in violation of section 4i of the act (7 U.S.C. 6i) and the applicable regulations thereunder and with exceeding the

maximum speculative trading and position limits in violation of section 4a of the act (7 U.S.C. 6a) and the order of the Commodity Exchange Commission (17 CFR 150.5). A copy of the complaint and a copy of the rules of practice were served upon the respondent February 12, 1964.

At the time of service of the complaint, respondent was notified in writing that an answer to the complaint should be filed within 20 days of its receipt and that, in accordance with the rules of practice, failure to answer would constitute an admission of the facts alleged and failure to request a hearing would constitute a waiver of hearing. The respondent has not filed an answer nor has he requested a hearing. The matter was referred to Benj. M. Holstein, Hearing Examiner, Office of Hearing Examiners, United States Department of Agriculture, for the preparation of a report without further investigation or hearing pursuant to section 0.9 (c) of the rules of practice (17 CFR 0.9(c)). On April 8, 1964, the hearing examiner filed a report recommending that the respondent be found to have violated the act as charged and that an order be issued directing all contract markets to refuse all trading privileges to respondent for a period of 6 months. No exceptions to the hearing examiner's report were filed.

FINDINGS OF FACT

1. Respondent, Charles Haag, is an individual whose address is 24 Brookside Drive, Upper Saddle River, New Jersey.

2. The Board of Trade of the City of Chicago, hereinafter referred to as the Chicago Board of Trade, and the Chicago Mercantile Exchange are now and were at all times material herein duly designated contract markets under the act.

3. During the period October 18, 1962, through January 15, 1963, the respondent made trades in egg futures on the Chicago Mercantile Exchange in his own accounts, carried in his name and in the name of Aaron G. Brandfon, and in accounts of 19 other persons, which accounts were controlled by the respondent. All transactions in such accounts belonged to or were controlled by respondent.

4. On each business day during the periods October 18 through October 24, 1962, October 26 through October 28, 1962, October 30 through November 7, 1962, November 9 through December 26, 1962, and January 7 through January 14, 1963, the respondent

held or controlled a net short position in shell egg futures on the Chicago Mercantile Exchange, which position ranged from 25 carlots to 134 carlots in a single future. By reason of the fact that such quantities were equal to or in excess of 25 carlots, the respondent was in reporting status and was required to report to the Commodity Exchange Authority with respect to all transactions executed and all open contract positions held or controlled by him in all egg futures on all boards of trade during such periods and with respect to all transactions by reason of which the respondent no longer held or controlled a reportable position.

5. On 31 business days within the periods specified in Finding of Fact 4 above, while the respondent was in reporting status as therein described, and on five additional business days, that is, on October 25 and 29, 1962, November 8, 1962, December 27, 1962, and January 15, 1963, when the respondent's position was reduced below the reporting level, transactions in shell egg futures on the Chicago Mercantile Exchange were executed for accounts owned or controlled by respondent. However, respondent failed or refused to submit reports to the Commodity Exchange Authority on 28 of such days and submitted false reports with respect to the remaining 8 days.

6. On the dates listed below, respondent made speculative trades in shell egg futures on the Chicago Mercantile Exchange which were in excess of the maximum permissible limits established by the order of the Commodity Exchange Commission (17 CFR 150.5) as follows:

Date	Future	No. of Carlots	
		Purchased	Sold
November 9, 1962	December 1962		76
December 21, 1962	December 1962	129	
January 7, 1963	January 1963		94
January 15, 1963	January 1963	100	

7. On the dates listed below, the respondent held or controlled speculative net short positions in shell egg futures on the Chicago Mercantile Exchange which were in excess of the maximum permissible limits established by the order of the Commodity Exchange Commission (17 CFR 150.5) as follows:

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Date	Future	Position
		(No. of Carlots)
October 30, 1962	November 1962	82
November 1	"	82
9	December 1962	86
13	"	87
14	"	102
20	"	87
23	"	104
26	"	109
28	"	84
30	"	94

Date	Future	Position (No. of Carlots)
December 3	"	109
4	"	129
6	"	134
11	"	134
12	"	134
13	"	134
14	"	134
17	"	114
18	"	109
20	"	129
January 7, 1963	January 1963	98
8	"	98
10	"	98
14	"	104

8. On December 20, 1962, respondent held or controlled a speculative net short position of 154 carlots in all shell egg futures combined on the Chicago Mercantile Exchange which position was in excess of the maximum permissible limit established by the order of the Commodity Exchange Commission (17 CFR 150.5).

9. On each business day during the period January 25 through February 5, 1963, the position in soybean futures on the Chicago Board of Trade in accounts owned or controlled by the respondent exceeded 200,000 bushels in a single future and, therefore, the respondent was in reporting status and was required to report to the Commodity Exchange Authority with respect to all transactions executed and all open contract positions held during such period for all accounts owned or controlled by him, in all soybean futures on all boards of trade, and with respect to all transactions by reason of which respondent no longer held or controlled a reportable position.

10. On six business days during the period referred to in Finding of Fact 9 above, that is, on January 25, 28, 29, 30, 31 and

February 1, 1963, while the respondent was in reporting status as therein described, and on one additional business day, February 6, 1963, when the respondent's position was reduced below the reporting level, transactions in soybean futures on the Chicago Board of Trade were executed for accounts owned or controlled by him, but respondent failed or refused to report with respect to such transactions and the resulting positions to the Commodity Exchange Authority.

CONCLUSIONS

Section 4i of the act (7 U.S.C. 6i) requires every person who trades in futures to submit reports with respect to such trading "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." The quantity fixed by the Secretary for reporting purposes under the above provision is 25 carlots in any one egg future, and 200,000 bushels in any one grain future (17 CFR 15.03). The facts set forth in Findings of Fact 4, 5, 9 and 10 demonstrate that on numerous occasions the respondent failed or refused to file required reports with respect to his trading and positions in egg and soybean futures and filed false reports with respect to his trading and positions in egg futures, in violation of section 4i of the act, and sections 15.01, 15.02, 15.03, 18.00, 18.01 and 18.03 of the regulations issued by the Secretary (17 CFR 15.01, 15.02, 15.03, 18.00, 18.01 and 18.03).

Section 4a of the act (7 U.S.C. 6a) empowers the Commodity Exchange Commission to fix such limits on the amount of trading in futures 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. Pursuant to such authority, the Commission has fixed maximum limits on the daily amount of speculative trading in egg futures which any person may do and also on the speculative position which any person may hold (17 CFR 150.5). The daily trading limit for the December future is 50 carlots of purchases and 50 carlots of sales on any one contract market, and the same daily trading limits apply to the January future. With respect to position limits, no trader may hold or control a speculative net long or net short position on any one contract market in excess of 150 carlots in all egg futures, nor may such position exceed 75 carlots in the

November future, 50 carlots in the December future, or 50 carlots in the January future. The facts set forth in Findings of Fact 6, 7 and 8 show that respondent's daily trading and positions exceeded these limits on many occasions. He thereby violated section 4a of the act and section 150.5 of the regulations.

Falsification of reports, failure or refusal to file required reports and trading in excess of permissible limits are serious violations. See *In re Benedict K. Goodman*, 18 Agric. Dec. 1121 (18 A.D. 1121) (1959), affirmed, *Goodman v. Benson*, 286 F.2d 896 (7th Cir. 1961); *In re Milrose Foods Co. et al.*, 14 Agric. Dec. 1037 (14 A.D. 1037) (1955). The large number of such infractions by respondent and the substantial amounts involved indicate that his acts were of a deliberate, flagrant and willful nature. It is concluded that all contract markets should be directed to refuse all trading privileges to respondent for a period of 6 months, such refusal to apply to all trading done and positions held by respondent, directly or indirectly, as recommended by complainant.

ORDER

Effective June 15, 1964, all contract markets shall refuse all trading privileges to the respondent, Charles Haag, for a period of 6 months, such refusal to apply to all trading done and positions held by the respondent, directly or indirectly.

A copy of this decision and order shall be served upon the respondent and upon each contract market.

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