

Commodity Futures Trading Commission  
CEA CASES

**NAME:** SECRETARY OF AGRICULTURE V. FORREST L. RALSTON

**DOCKET NUMBER:** 22

**DATE:** OCTOBER 1, 1940

**DOCUMENT TYPE:** COMPLAINT

UNITED STATES OF AMERICA

BEFORE THE SECRETARY OF AGRICULTURE

CE-A DOCKET NO. 22

Secretary of Agriculture, Complainant, v. Forrest L. Ralston, Respondent.

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

There being reason to believe that the respondent has violated the Commodity Exchange Act (7 U.S.C., 1934 ed., and Supp. IV, § 1-17a) and the rules and regulations promulgated pursuant thereto, this complaint is issued alleging the following:

1.

Forrest L. Ralston is an individual trading and doing business under the firm name and style of F. L. Ralston Brokerage Company, a sole proprietorship owned by the respondent, at Sheridan, Wyoming.

2.

From August 2, 1937 to July 20, 1940, the respondent, acting by and through the means of F. L. Ralston Brokerage Company, a sole proprietorship owned by the respondent, engaged as a futures commission merchant in soliciting orders for the purchase and sale of

commodities for future delivery involving contracts of sale of such commodities for future delivery on or subject to the rules of the Board of Trade of the City of Chicago, a contract market designated by the Secretary of Agriculture, pursuant to the provisions of the Commodity Exchange Act and while so engaged, failed to register with the Secretary of Agriculture as a futures commission merchant in violation of the Commodity Exchange Act.

3.

The respondent, while engaged as a futures commission merchant, received funds from customers to margin their trades in contracts of sale of commodities for future delivery on or subject to the rules of a contract market and received funds as a result of such trades made for the account of customers, and between August 2, 1937 and July 19, 1940, failed to account separately for such funds, and, in fact, commingled such funds with the funds of the respondent. On July 19, 1940, the respondent was accountable to commodity customers for \$ 2,775,00, and at that time had no funds segregated for the account of such customers.

4.

The respondent was, between August 2, 1937 and July 20, 1940, a correspondent of E. A. Pierce and Company, a member of the Board of Trade of the City of Chicago.

5.

The respondent, while a correspondent of E. A. Pierce and Company, between August 2, 1937 and May 15, 1940, cleared numerous trades involving contracts for the purchase and sale of wheat for future delivery on or subject to the rules of the Board of Trade of the City of Chicago, through E. A. Pierce and Company, for the account of customers and on a number of these trades reported to customers executions at prices other than the prices at which the customers' orders were executed. Among the trades so reported were the following:

| Date    | Customer                | Future trading     | Price at which executed | Price reported to customer |
|---------|-------------------------|--------------------|-------------------------|----------------------------|
| 9/2/37  | Sheridan Flouring Mills | Bot. 20 Dec. Wheat | 105 5/8                 | 105 7/8                    |
| 5/15/39 | Jean Falxa              | Sold 5 July Wheat  | 88                      | 87                         |
| 5/14/40 | J. L. Kenney            | Sold 10 May Wheat  | 104 1/2                 | 103                        |
| 4/17/40 | W. E. Sonneman          | Bot. 5 July Wheat  | 108 1/2                 | 108 5/8                    |
| 5/15/40 | W. E. Sonneman          | Sold 5 July Wheat  | 89                      | 87                         |
| 5/14/40 | J. L. Kenney            | Sold 5 July Wheat  | 104 1/2                 | 103                        |
| 5/15/40 | Jean Falxa              | Sold 5 Sept. Wheat | 88 1/4                  | 88                         |

6.

As a result of the incorrect reports referred to in paragraph 5, the respondent gained from his customers \$ 256.25.

7.

The respondent, by reason of his actions and the facts alleged in paragraphs 3, 4, 5 and 6, violated the Commodity Exchange Act in

that in connection with orders to make and the making of futures contracts for grains, which are commodities named in the Commodity Exchange Act, on contract markets, which contracts may be used for hedging or determining the price basis of transactions in interstate commerce in the commodities involved, the respondent did attempt to cheat and defraud and did cheat and defraud persons for whom such contracts were made, wilfully made and caused to be made misleading and false reports and statements concerning such contracts to such persons and wilfully attempted to deceive and did deceive such persons in regard to such contracts and acts of agency performed with respect to such contracts.

8.

The respondent is now registered with the Secretary of Agriculture as a futures commission merchant but was not so registered during any part of the period covered by this complaint.

THEREFORE, the respondent is hereby notified to be and appear before a referee, to be appointed by the Secretary of Agriculture, at a hearing to be held at 10 o'clock a.m. on October 28, 1940 in Room 1831, South Building, Department of Agriculture, Washington, D. C., or at such other times and places as may be determined by the referee and then and there show cause, if any there be, why an order shall not be made revoking the registration of the

respondent as a futures commission merchant and directing that all contract markets, until further notice of the Secretary of Agriculture, refuse all trading privileges to the respondent.

IT IS ORDERED that this complaint and notice of hearing be served on the named respondent by delivery of true and correct copies hereof to the respondent, by an employee of the Department of Agriculture or by registered mail, at least fifteen days prior to the date herein set for the hearing.

IT IS FURTHER ORDERED that the respondent shall file with the hearing clerk, Office of the Solicitor, Department of Agriculture at Washington, D. C., within

ten days after the receipt of the complaint, an answer signed by the respondent fully and completely stating the nature of any affirmative defense and admitting or denying specifically, in detail, each material and relevant allegation of the complaint. The failure to file such answer within said ten day period may be deemed an admission of the truth of the allegations of the complaint for the purpose of this proceeding unless application for an extension of time in which to answer has been made by the respondent and granted by the Secretary of Agriculture or a referee designated by him to conduct the hearing herein.

Done at Washington, D. C., this 1st day of October, 1940. Witness my hand and the seal of the Department of Agriculture.

/s/ Grover B. Hill

Assistant Secretary of Agriculture

**LOAD-DATE:** June 16, 2008

