

Commodity Futures Trading Commission
CEA CASES

NAME: GREENE & COLLINS INC., A. LAWRENCE CARROLL, AND J. ROBERT COLLINS

DOCKET NUMBER: 235; 75-15

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UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

In re: Greene & Collins, Inc., A. Lawrence Carroll, and J. Robert Collins,
Respondents

CEA Docket No. 235

Complaint and Notice of Hearing Under the Commodity Exchange Act

There is reason to believe that the respondents have violated the Commodity Exchange Act (7 U.S.C. 1 et seq.), and the regulations issued thereunder (17 CFR 1.1 et seq.), and therefore this Complaint and Notice of Hearing is issued alleging the following:

I

Respondent Greene & Collins, Inc., an Illinois corporation with its principal office and place of business at 175 West Jackson Boulevard, Chicago, Illinois 60604, is now, and was at all times material herein, a registered futures commission merchant under the Commodity Exchange Act, and a clearing member of the MidAmerica Commodity Exchange, engaged in trading in commodities for future delivery.

II

Respondent A. Lawrence Carroll, an individual whose business address is the same as that of the corporate respondent, was at all times material herein President and a stockholder of respondent Greene & Collins, Inc., a member of the MidAmerica Commodity Exchange, and

registered as a floor broker under the Commodity Exchange Act. At all such times, respondent Carroll took an active part in the management and control of respondent Greene & Collins, Inc.

III

At all times material herein, respondent J. Robert Collins was Vice President and Secretary and a stockholder of respondent Greene & Collins, Inc., a member of the MidAmerica Commodity Exchange, and registered as a floor broker under the Commodity Exchange Act. At all such times, respondent Collins took an active part in the management and control of respondent Greene & Collins, Inc.

IV

On December 31, 1973, and January 31, 1974, the respondent corporation was engaged in business as a registered futures commission merchant under the Commodity Exchange Act, notwithstanding that on both dates it failed to meet the minimum financial requirements under section 4f of the Commodity Exchange Act (7 U.S.C. 6f) and section 1.17 of the regulations issued thereunder (17 CFR 1.17). As of December 31, 1973, the respondent corporation lacked approximately \$

15,000 of having sufficient capital to meet such minimum financial requirements, and on January 31, 1974, it lacked approximately \$ 150,000 of having sufficient capital to meet such minimum financial requirements.

V

Under section 1.10 of the regulations issued pursuant to the Commodity Exchange Act (17 CFR 1.10), the respondent corporation was

obligated at all times material herein to prepare a written computation of its net worth at least once each month. Whenever such computations showed, or the respondent knew or had reason to believe, that its net worth had declined 20 percent or more from its net worth as shown in the previous report of its financial condition, the respondent corporation was obligated to immediately notify the Commodity Exchange Authority. During the months of December, 1972 and October, November and December 1973, the respondent corporation's net worth had so declined 20 percent or more, as set forth below, and said respondent failed to so notify the Commodity Exchange Authority:

Month	Approximate Percentage Decrease
December, 1972	84%
October, 1973	21%
November, 1973	33%
December, 1973	91%

VI

Section 1.17 of the regulations promulgated under the Commodity Exchange Act (17 CFR 1.17) obligates the respondent corporation to file with the Commodity Exchange Authority two copies of any subordination agreement within ten days after such agreement is entered into. As of January 31, 1974, respondent Greene & Collins, Inc., had a total of \$ 285,000 in subordinated borrowings from five individuals. Although

each of the subordinated loan agreements for these borrowings was executed on December 28, 1973, copies of such agreements were not filed with the Commodity Exchange Authority until March 19, 1974.

VII

Section 4d(2) of the Commodity Exchange Act (7 U.S.C. 6d(2)) and section 1.32 of the regulations issued thereunder (17 CFR 1.32) obligate respondent corporation to keep a daily record of all money, securities, and property which must be maintained in segregated accounts. The segregation record of respondent Greene & Collins, Inc., dated January 31, 1974, contained a material error and an inaccurate entry, namely, a failure to create a segregated account for a customer, David Steele, and an understatement of cash margin on deposit with the New York Mercantile Exchange. Further, respondent corporation failed to prepare a segregation record for September 28, 1973.

VIII

At all times material herein, the respondent corporation was required by section 1.20 of the regulations issued under the Commodity Exchange Act (17 CFR 1.20) to deposit all money and securities received to margin, guarantee, or secure the trades or contracts of regulated commodity customers under an account name which will clearly show that they are customers' money or securities. Respondent corporation was further required by section 1.20 of the regulations to obtain an acknowledgment from the bank, clearing organization, or futures commission

merchant with whom such money or securities were deposited that it was informed that the money or securities so deposited were those of commodity customers.

As of January 31, 1974, respondent Greene & Collins, Inc., deposited customer-owned securities and customer funds into accounts with the Continental Illinois National Bank, the Madda Trading Company and the New York Mercantile Exchange which accounts were not clearly and properly identified as customers' securities and funds. Further, respondent Greene & Collins, Inc. failed to obtain an acknowledgment from said Bank, Company, and Exchange that they were informed that the securities and funds so deposited were those of commodity customers.

IX

As of January 31, 1974, respondent corporation's record of regulated customer-owned securities inaccurately reflected the number of shares of securities on deposit to margin regulated trades in violation of section 1.36 of the regulations issued under the Commodity Exchange Act (17 CFR 1.36). Further, the January 1974, monthly activity statements sent to two customers, Harold Goodman and Richard Sohack, did not show the correct value of securities on deposit with the respondent corporation to margin regulated trades in violation of section 1.33 of the regulations issued pursuant to the Commodity Exchange Act (17 CFR 1.33).

X

At all times material herein, respondent corporation was required by section 1.35 of the regulations issued pursuant to the Commodity Exchange Act (17 CFR 1.35) to prepare, regularly and promptly, and keep

systematically and in permanent form, a record or journal which will show for each business day, complete details of all commodity futures transactions executed on that day. Included within such records were to be the date, price, quantity, market, commodity, future and the person for whom such transaction was made. As of January 31, 1974, respondent Greene & Collins, Inc. failed to maintain a record with the identity of the person for whom each transaction was made on the New York Mercantile Exchange.

XI

Section 1.46 of the regulations issued pursuant to the Commodity Exchange Act (17 CFR 1.46) requires a futures commission merchant who purchases or sells any commodity for future delivery for any customer, when the account of such customer at the time of such transaction has, respectively, a short position in the same future of the same commodity on the same market, or a long position in the same future of the same commodity on the same market, to apply such purchase or sale against any previously held position. As of January 31, 1974, the accounts of two regulated customers of respondent Greene & Collins, Inc., Harold Goodman and Richard Dennis, carried speculatively long and short positions in the same commodity and future traded on the MidAmerica Commodity Exchange.

XII

At all times material herein, respondent Greene & Collins, Inc., was required by section 4g of the Commodity Exchange Act (7 U.S.C. 6g) and section 17.00 of the regulations issued pursuant to the

Commodity Exchange Act (17 CFR 17.00) to submit to the Commodity Exchange Authority series '01 reports with respect to all Special Accounts showing each reportable position, separately for each contract market and for each future in such account as of the close of the market on the day covered by the report.

The respondent corporation filed such reports; however, the '01 report as of January 31, 1974 was inaccurate with respect to such reportable positions, summarized as follows:

Customer	Market	Commodity & Future	Position Per Audit		Positions Per '01 Report		Difference	
			L	S	L	S	L	S
Harold Goodman	MidAmerica	March Wheat	--	270	--	--	--	[270]
Richard Dennis	MidAmerica	May Soybeans	--	709	--	735	--	26

XIII

By reason of the facts alleged herein, the respondents have wilfully violated sections 4d(2), 4f(2), and 4g of the Act (7 U.S.C. 6d(2), 6f(2), 6g) and sections 1.10, 1.17, 1.20, 1.32, 1.33, 1.35, 1.36, 1.46, and 17.00 of the regulations issued pursuant to the Act (17 CFR 1.10, 1.17, 1.20, 1.32, 1.33, 1.35, 1.36, 1.46, and 17.00).

WHEREFORE, it is hereby ordered that this Complaint and Notice of Hearing be served upon the respondents and this proceeding shall be governed by sections 0.1, 0.2, 0.4(b), 0.5 through 0.22, and 0.28 of the rules of practice under the Commodity Exchange Act (17 CFR 0.1, 0.2,

0.4(b), 0.5 through 0.22 and 0.28). The respondents will have twenty (20) days after the receipt of this complaint in which to file with the Hearing Clerk, United States Department of Agriculture, Washington, D. C. 20250, an answer with an original and three copies fully and completely stating the nature of the defense and admitting or denying, specifically and in detail, each 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 allegations of this complaint and a waiver of hearing. The filing of an answer in which all of the material allegations of fact contained in the complaint are admitted, likewise shall constitute a waiver of hearing unless a hearing is requested. The respondents are hereby notified that unless such hearing is waived, the hearing will be held in Chicago, Illinois, at a place therein and date to be specified later, before an Administrative Law Judge 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 appropriate order should not be issued in accordance with the Commodity Exchange Act directing that the respondents shall cease and desist from violating the Act and the regulations in the manner alleged herein.

Done at Washington, D. C.

January 17, 1975

[SEE SIGNATURE IN ORIGINAL]

RICHARD L. FELTNER

Assistant Secretary

LOAD-DATE: August 6, 2008

