
Denial of trading privileges -- Stipulation

Respondent consented to the issuance of an order denying trading privileges to him for a period of 60 days for violations of the act in exceeding trading and position limits in soybean futures, failing to submit required reports and submitting false reports.

Mr. Earl L. Saunders for Commodity Exchange Authority.

Mr. Robert B. Berkley, of Salina, Kan., for respondent.

Decision by Thomas J. Flavin, Judicial Officer

PRELIMINARY STATEMENT

This is an administrative proceeding under the Commodity Exchange Act (7 U.S.C. 1 et seq.), in which the respondent, a trader in commodity futures, is charged with exceeding the maximum speculative trading and position limits in soybean futures in violation of section 4a of the act (7 U.S.C. 6a), and with violating the reporting requirements of section 4i of the act (7 U.S.C. 6i) and sections 15.01, 15.02, 15.03, 18.00, 18.01 and 18.03 of the regulations issued under the act (17 CFR 15.01, 15.02, 15.03, 18.00, 18.01, 18.03).

No hearing has been held with respect to this proceeding. On September 16, 1966, the respondent submitted a stipulation under section 0.4(b) of the rules of practice (17 CFR 0.4(b)), in which he admits the facts hereinafter set forth, waives hearing on the charges, and consents to the entry of the order contained herein.

FINDINGS OF FACT

1. Respondent, Darrell M. Hills, is an individual whose address is 1911 West 30th Street, Topeka, Kansas. At all times material herein, he was a member of the Chicago Board of Trade.

2. The Chicago Board of Trade is now, and was at all times material herein, a duly designated contract market under the Commodity Exchange Act. All transactions and positions referred to herein were on or subject to the rules of the Chicago Board of Trade.

3. During the period June 1 through September 21, 1965, the respondent made trades in soybean futures in accounts carried in the names of Darrell M. Hills, Midwest Rentals, Inc., D.M.H. Enterprises, Inc., and Industrial Construction, Inc. All transactions and positions referred to herein were in one or more of the above named accounts which during the period June 1 through September 21, 1965, belonged to or were controlled by the respondent. At all times during such period, the respondent was aware of his obligations under the Commodity
Exchange Act and the regulations with respect to speculative position and trading limits and reporting requirements.

4. At all times during the periods from June 21 through July 13, 1965, and from July 21 through July 29, 1965, the respondent held or controlled total speculative net short positions in the August 1965 soybean future which were in excess of 2,000,000 bushels. Such positions ranged from 2,030,000 bushels to 2,750,000 bushels.

5. At all times during the period from June 18 through July 21, 1965, the respondent held or controlled total speculative net long positions in the September 1965 soybean future which were in excess of 2,000,000 bushels. Such positions ranged from 2,200,000 bushels to 3,250,000 bushels.

6. At all times during the period from August 26 through September 20, 1965, the respondent held or controlled total speculative net short positions in the September 1965 soybean future which were in excess of 2,000,000 bushels. Such positions ranged from 2,250,000 bushels to 3,910,000 bushels.

7. At all times during the period from August 27 through September 17, 1965, the respondent held or controlled total speculative net long positions in the November 1965 soybean future which were in excess of 2,000,000 bushels. Such positions ranged from 2,010,000 bushels to 2,835,000 bushels.

8. On September 20, 1965, the respondent made speculative purchases and speculative sales of 3,110,000 bushels and 2,535,000 bushels, respectively, in all soybean futures combined on the Chicago Board of Trade. Of these amounts, a purchase of 2,910,000 bushels was in the September 1965 future and a sale of 2,335,000 bushels was in the November 1965 future.

9. At all times during the period from June 1 through August 16, 1965, and from August 20 through September 20, 1965, the positions in soybean futures which the respondent held or controlled in the above named accounts, equaled or exceeded 200,000 bushels in a single future. The respondent was, therefore, 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 during such periods in all soybean futures, as provided in section 4i of the Commodity Exchange Act and sections 15.01, 15.02, 15.03, 18.00, 18.01 and 18.03 of the regulations (7 U.S.C. 6i; 17 CFR 15.01, 15.02, 15.03, 18.00, 18.01, 18.03). On June 11 and 21, 1965, July 8, 15 and 20, 1965, August 27, 30 and 31 1965, and September 9, 1965, the respondent executed soybean futures transactions but filed no reports with respect to such transactions and the positions held or controlled by him on such dates.

10. The respondent filed reports with the Commodity Exchange Authority which showed transactions and positions in soybean futures in accounts carried in his name and in the names of Midwest Rentals, Inc., and D.M.H. Enterprises, Inc., on various dates during the period from June 10 through September 21, 1965, but 37 of such reports were incomplete, in that they failed to include the transactions and positions in the account carried in the name of Industrial Construction, Inc., and, during the period from August 26 through September 20, 1965, failed to include that part of the respondent's speculative short position in the September 1965 future carried in the name of D.M.H. Enterprises, Inc. which was in excess of 2,000,000 bushels.

CONCLUSIONS

The facts admitted by the respondent in his stipulation have been adopted as the findings of fact herein. By reason of such facts, it is concluded: (1) that the respondent knowingly traded in soybeans for future delivery on or subject to the rules of a contract market in amounts which (a) resulted in net positions in excess of the maximum permissible quantity of 2,000,000 bushels in a single
future, and (b) were in excess of the maximum permissible limit of 2,000,000 bushels which any person may purchase during any one business day, and the maximum permissible limit of 2,000,000 bushels which any person may sell during any one business day, in wilful violation of section 4a of the Commodity Exchange Act, and the order of the Commodity Exchange Commission establishing limits on positions and trading in soybeans for future delivery (7 U.S.C. 6a; 17 CFR 150.4); and (2) that the respondent knowingly failed to submit required reports to the Commodity Exchange Authority, and knowingly submitted false reports to the Commodity Exchange Authority, in wilful violation of section 4i of the Commodity Exchange Act, and sections 15.01, 15.02, 15.03, 18.00, 18.01 and 18.03 of the regulations issued by the Secretary (7 U.S.C. 6i; 17 CFR 15.01, 15.02, 15.03, 18.00, 18.01, 18.03).

The complainant states that the administrative officials of the Commodity Exchange Authority have carefully considered the proposed stipulation and order and that they believe that the proposed sanction is adequate and that the prompt entry, without further proceedings, of the order to which the respondent has consented will constitute a satisfactory disposition of this case, serve the public interest, and effectuate the purposes of the Commodity Exchange Act. The complainant recommends, therefore, that the stipulation and waiver submitted by the respondent be accepted and that the proposed order be issued. It is so concluded.

ORDER

Effective on the thirtieth day after the date of issuance of this order, all contract markets shall refuse all trading privileges to the respondent, Darrell M. Hills, for a period of sixty (60) days, such refusal to apply to all trading done and positions held by him, directly or indirectly.

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

LOAD-DATE: June 8, 2008