

Commodity Futures Trading Commission
CEA CASES

NAME: PLAINS COTTON COOPERATIVE ASSOCIATION AND DAN W. DAVIS

CITATION: 1977 CFTC LEXIS 84; 1977 WL 13534

DOCKET NUMBER: 75-11; 222;

DATE: JULY 15, 1977

DOCUMENT TYPE: OPINION AND ORDER

NOTE: FORMERLY CEA DOCKET # 222

UNITED STATES OF AMERICA

Before the

COMMODITY FUTURES TRADING COMMISSION

In the Matter of PLAINS COTTON COOPERATIVE ASSOCIATION AND DAN W. DAVIS

CFTC Docket No. 75-11

OPINION AND ORDER IMPOSING REMEDIAL SANCTIONS

OPINION AND ORDER

In this proceeding under the Commodity Exchange Act, as amended, Plains Cotton Cooperative Association and Dan W. Davis, hereinafter jointly referred to as "Respondents", were charged in a United States Department of Agriculture Complaint and Notice of Hearing, dated February 5, 1974, n1 with attempting to manipulate and in fact manipulating the prices of the May 1972 and July 1972 cotton futures contracts and the price of spot cotton during the period from March 15, 1972, to July 7, 1972, in wilful violation of Sections 6(b), 6(c) and 9(b) of the Commodity Exchange Act, 7 U.S.C. 9, 13b and 13(b).

n1 Since the institution of this proceeding, the Commodity Futures Trading Commission has come into being and has taken jurisdiction of this matter from its predecessor agency, the Commodity Exchange Authority, under authority of Sections 411 and 412 of Pub. L. No. 93-463 (Oct. 23, 1974). This matter formerly was docketed as CEA Docket No. 222.

For the purpose of this proceeding, and any subsequent enforcement proceeding brought before the Commission pursuant to the Commodity Exchange Act and without admitting or denying the allegations in the Complaint, Respondents have submitted an Offer of Settlement. The Offer of Settlement provides, among other things, that the Commission may make findings based upon the facts alleged in the Complaint and shall enter an Order

imposing remedial sanctions as set forth below, although these findings do not constitute an admission by Respondents of any allegation in the complaint or of any violation of the Commodity Exchange Act. The Commission has determined to accept the Offer of Settlement.

On the basis of the Offer of Settlement and of the allegations in the Complaint, it is found that:

(A) Respondents acknowledge receipt of the Complaint;

(B) Respondents admit to the jurisdiction of the Commodity Futures Trading Commission with respect to the matters set forth in the Complaint;

(C) The allegations in the complaint relate to the purchase and sale of December 1971, March 1972, May 1972, and July 1972 cotton futures contracts on and subject to the rules of the New York Cotton Exchange;

(D) During the period from May 6, 1971, to July 7, 1972, Respondents maintained a large long futures position involving one or more of the futures contracts described in paragraph (c);

(E) During the period from November 23, 1971, to July 21, 1972, Respondents accepted and held transferable notices of delivery and subsequently received delivery of large amounts of spot cotton in satisfaction of their long open futures positions in each of the futures contracts

referred to above as those futures contracts successively matured; n2

n2 Detailed information concerning these deliveries is set out in the following table:

Future	Amount in contract lots	Percent of total deliveries
December 1971	718	81.7
March 1972	366	98.7
May 1972	599	89.7
July 1972	400	59.7
Total	2,083	80.5

(F) Most of the spot cotton received by Respondents on the December 1971, March 1972, and May 1972 futures was handled by them in such a way as to make that cotton unavailable to other traders for redelivery against futures contracts. Respondents accomplished this by decertificating the cotton while in store prior to final disposition and by selling the cotton on either a f.a.s. vessel or landed mill basis; n3

n3 Of the 72,276 bales of certificated cotton received on delivery in the December 1971 future, Respondents so handled 67,466 bales; of the 36,420 bales of certificated cotton received on delivery in the March 1972 future, Respondents so handled 35,820 bales; of the 59,963 bales of certificated cotton received on delivery in the May 1972 future, Respondents so handled 59,078 bales.

(G) In pursuing the course of action described above, Respondents acted for the purpose and with the intent of causing, and did cause prices of the May 1972 and July 1972 cotton futures contracts and the price of spot cotton to be abnormally and artificially high during the period March 15, 1972, to July 7, 1972;

(H) Then Respondents attempted to manipulate and did manipulate the prices of the May 1972 cotton futures contract, the July 1972 cotton futures contract, and spot cotton during the period from March 15, 1972, to July 7, 1972; in wilful violation of Sections 6(b), 6(c), and 9(b) of the Commodity Exchange Act, 7 U.S.C. 9, 13b and 13(b).

The Commission wishes to emphasize that attempted manipulation and manipulation under Sections 6(b) and 6(c) of the Act are among the most serious activities proscribed by the Act. Manipulation not only erodes public confidence in the markets by preying upon unsuspecting buyers and sellers of futures, but also undermines the economic functions of the the markets by disrupting the free forces of supply and demand. When a matter involving manipulative activity is proven after a hearing, the remedial sanctions imposed will normally be the most severe available under the Act. The facts and circumstances of this case have led the Commission to accept Respondents' Offer of Settlement. The imposition of these sanctions in settlement of the matter

herein, however, should not be regarded as precedent with respect to the appropriate sanctions to be imposed in future manipulation cases.

Accordingly, IT IS ORDERED that:

(1) Effective upon the thirtieth (30th) day after the date of the Commission's Order herein, Respondents, Plains Cotton Cooperative Association and Dan W. Davis, jointly and

individually, shall be prohibited from trading, directly or indirectly, on or subject to the rules of any contract market for a period of one year, and all contract markets shall refuse trading privileges to the Respondents during this one year period. Such prohibition and refusal shall apply to all trading done and positions held directly by the Respondents, either for its or his own account or as agent or representative of any other person or firm, and also to all trading done and positions held indirectly by or in any way subject to its or his direction or control;

(2) Effective upon the date of service of the Commission's Order herein, Respondents, Plains Cotton Cooperative Association and Dan W. Davis, jointly and individually, shall cease and desist from manipulating or attempting to manipulate the price of any commodity in interstate commerce or for future delivery on or subject to the rules of any contract market;

(3) Copies of this Order shall be served upon each of the parties and upon all contract markets.

By the Commission (Chairman BAGLEY and Commissioners SEEVERS and MARTIN).
Commissioner DUNN not participating and Vice-Chairman RAINBOLT absent.

[SEE SIGNATURE IN ORIGINAL]

William T. Bagley

Chairman

Commodity Futures Trading Commission

Dated: July 15, 1977

LOAD-DATE: June 16, 2008

