

Commodity Futures Trading Commission
CEA CASES

NAME: SECRETARY OF AGRICULTURE V. SIDNEY E. WOLFF

DOCKET NUMBER: 19

DATE: APRIL 27, 1940

DOCUMENT TYPE: COMPLAINT

UNITED STATES OF AMERICA

BEFORE THE SECRETARY OF AGRICULTURE

CE-A Docket No. 19

Secretary of Agriculture, Complainant, v. Sidney E. Wolff, Respondent.

Complaint and Notice of Hearing under the Commodity Exchange Act.

There being reason to believe that the respondent hereinafter named 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. Sidney E. Wolff is an individual trading and doing business at New York, New York, who was registered under the Commodity Exchange Act with the Secretary of Agriculture as a floor broker for the calendar years 1938, 1939. and 1940.

2. Respondent was, between September 1, 1938, and January 31, 1940, a member of the New York Cotton Exchange, a contract market designated by the Secretary of Agriculture pursuant to the provisions of the Commodity Exchange Act, and during this period, in connection with orders to make and the making of futures contracts for commodities names in the Commodity Exchange Act, on contract markets, which contracts could be used for hedging or determining the price basis

of transactions in interstate commerce in commodities involved, on September 1, 1938, and various dates thereafter, including the following instances:

On September 1, 1938, Wolff sold for the account of J. Kahn & Company on the records of Carl M. Loeb, Rhoades & Company, a contract for 100 bales of New York December cotton futures at 8.30 cents and purchased this same contract for his own account on the books of Royce & Company.

On September 1, 1938, Wolff sold for the account of Kahn on the records of A. M. Kidder & Company, a contract for 100 bales of New York December cotton futures at 8.29 cents and purchased this same contract for his own account on the records of Royce & Company.

On September 2, 1938, Wolff sold for Kahn's account on the records of A. Norden & Company, contracts for 300 bales of New York December cotton at 8.26 which he purchased for himself through Royce & Company.

On September 6, 1938, Wolff bought for Kahn's account on the records of Bond, McEnamy & Company (give-up from Thomson & McKinnon) contracts for 200 bales of New York December cotton futures at 8.13 which Wolff sold for his own account on the records of Royce & Company.

On September 10, 1938, Wolff sold for Kahn's account on the records of Volkart Brothers Company, contracts for 200 bales of New York March cotton futures at 7.94 which he bought for his own account on the records of George F. Jones & Son.

On September 10, 1938, Wolff sold for Kahn's account on the records of E. A. Pierce & Company, contracts for 500 bales of New York March cotton futures at 7.88 which he bought for his own account on the records of Royce & Company.

On September 10, 1938, Wolff sold for Kahn's account on the records of Corn Schwarz & Company, contracts for 200 bales of New York May cotton futures at 7.93 and a contract for 100 bales of New York May cotton futures at 7.94 which he bought for his own account on the records of Royce & Company.

On September 20, 1938, Wolff sold for Kahn's account on the records of Carl M. Loeb, Rhoades & Company, a contract for 100 bales of New York May cotton futures at 7.93 which he bought for his own account on the records of Royce & Company.

On September 20, 1938, Wolff sold for Kahn's account on the records of Carl M. Loeb, Rhoades & Company, contracts for 200 bales of New York May cotton futures at 8.03 which he bought for his own account on the records of Wertheim & Company.

On September 20, 1938, Wolff sold for Kahn's account on the records of Newman Brothers & Worms, contracts for 400 bales of New York May cotton futures which he bought for his own account on the records of Royce & Company.

On September 20, 1938, Wolff confirmed to J. Kahn & Co. the sale of contracts for 500 bales of New York December cotton futures at 7.94 cents, which sale was not actually made on the New York Cotton Exchange.

On September 3, 1938, Wolff sold for the account of J. A. Kinnebrew of Oklahoma City, Oklahoma, on the records of James E. Bennett & Company (give-up from George H. McFadden & Bro.) a contract for 100 bales of New York October cotton futures at 8.10 which he bought for his own account on the records of Royce & Company.

On September 6, 1938, Wolff sold for the account of a customer on the records of Marshall, Geer & Company, contracts for 200 bales of New York December cotton futures at 8.11 which he bought for his own account on the records of Royce & Company.

On September 20, 1938, Wolff sold for the account of George Bridge & Company, London, England, on the books of Carl M. Loeb, Rhoades & Company, contracts for 500 bales of New York October cotton futures at 8.00 which he bought for his own account on the records of George F. Jones & Son.

On September 20, 1938, Wolff sold for the account of Gruning & Company, Liverpool, England, on the records of Carl M. Loeb, Rhoades & Company, contracts for 200 bales of New York October cotton futures at 8.00 which he bought for his own account on the records of George F. Jones & Son.

bucketed such orders by confirming the execution thereof to various customers, when, in fact, the respondent had, without the prior consent of his customers, become the buyer in respect to selling orders of such persons and the seller in respect to buying orders of such persons, all in violation of Section 4b, subsection (D), of the Commodity Exchange Act.

3. The respondent, while a member of a contract market, in connection with orders to make and the making of futures contracts in cotton, a commodity named in the Commodity Exchange Act, on contract markets, which contracts could be used for hedging or determining the price basis of transactions in interstate commerce in the commodity involved, on September 6, 1938, and various dates thereafter, including September 26, 1938, filled such orders by offset against the order or orders of other persons, including the following instances:

On September 6, 1938, Wolff filled an order for the purchase of contracts for 300 bales of New York December cotton futures at 8.04 for the account of a customer of James E. Bennett & Company by offsetting such order against a selling order for the account of J. Kahn & Company. The purchase was recorded

on the records of Hubbard Bros. and the sale on the records of Goodbody & Company.

On September 6, 1938, Wolff filled an order for the purchase of contracts for 100 bales of New York December cotton futures at 8.11 for the account of a customer of James E. Bennett & Company by offsetting such order against a selling order for the account of J. Kahn & Company. The purchase was recorded on the records of Hubbard Bros. and the sale on the records of Marshall, Geer & Company.

On September 6, 1938, Wolff filled an order for the purchase of contracts for 100 bales of New York July cotton futures at 8.05 for the account of Parakh & Company of Bombay, India, by offsetting such order against a selling order for the account of J. Kahn & Company. The purchase was recorded on the records of Harriss & Vose and the sale on the records of E. J. Schwabach & Company.

On September 26, 1938, Wolff filled an order for the purchase of contracts for 100 bales of New York October cotton futures at 7.75 for the account of Collie & Company by offsetting such order against a selling order for the account of A. J. Buxton & Company. The purchase was recorded on the records of J. S. Bache & Company and the sale on the records of J. S. Bache & Company.

On September 26, 1938, Wolff filled an order for the purchase of contracts for 100 bales of New York July cotton futures at 7.74 for the account of a customer of James E. Bennett & Company by offsetting such order against a selling order for the account of Anderson, Clayton & Company. The purchase was recorded on the records of Anderson, Clayton & Fleming and the sale on the records of Anderson, Clayton & Fleming.

On September 26, 1938, Wolff filled an order for the purchase of contracts for 100 bales of New York October cotton futures at 7.73 for the account of Anderson, Clayton & Company by offsetting such order against a selling order for the account of a customer of James E. Bennett & Company. The purchase was recorded on the records of Anderson, Clayton & Fleming and the sale on the records of Anderson, Clayton & Fleming.

all in violation of Section 4b, subsection (D), of the Commodity Exchange Act.

4. The respondent, on January 30, 1940, entered into a transaction involving cotton, which transaction could be used for hedging any transaction in interstate commerce in such commodity, or the products or byproducts thereof, or determining the price basis of any such transaction in interstate commerce in such commodity, which transaction was of the character of, or commonly known as, a wash sale, and was a fictitious sale in that the respondent entered into an arrangement with two other brokers on the New York Cotton Exchange under which each of them agreed to sell to respondent October cotton futures contracts in the amount of 200 bales at the opening price for the day, such an arrangement being referred to in trade parlance as "stopping cotton on the opening". At the opening of the market on that date the respondent went into the ring and offered to sell October cotton at 9.40 cents and did sell one contract for 100 bales at that price, which

sale was the opening transaction for the day. By this means the respondent established the low of the opening range for October cotton on January 30, which opening range was officially recorded as 9.40 cents to 9.42 cents. After selling this contract for 100 bales at 9.40 cents for his own account, the respondent, pursuant to the agreement with the two other brokers above set forth, purchased contracts from each of them for 200 bales of October cotton at 9.41 cents. The sale by the respondent of 100 bales at the opening price of 9.40 cents was made for the purpose of establishing an opening price range advantageous to the respondent in consummating the agreement previously made for the purchase of 400 bales of cotton futures contracts in the same future, and

this sale partially offset the prearranged purchase of 400 bales, thereby constituting a fictitious sale, in violation of Section 4c(A) of the Commodity Exchange Act.

Therefore, 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 10:00 a.m. on May 14, 1940, in Room 800, at 15 William Street, New York, New York, 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 by 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 a true copy hereof to

him by an employee of the Department of Agriculture or by registered mail, at least three days prior to the date herein set for hearing.

Done at Washington, D. C., this 27th day of April, 1940. Witness my hand and the seal of the Department of Agriculture.

/s/ Grover B. Hill

Acting Secretary of Agriculture.

(SEAL)

LOAD-DATE: June 11, 2008

