

Commodity Futures Trading Commission
CEA CASES

NAME: FRONTIER COMMODITIES, INC., AND EDWIN J. SCHUFFMAN

DOCKET NUMBER: 191

DATE: JUNE 1, 1972

DOCUMENT TYPE: COMPLAINT

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

In re: Frontier Commodities, Inc., and Edwin J. Schuffman, Respondents

CEA Docket No. 191

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 made pursuant thereto, and this complaint and notice of hearing is issued stating the charges in that respect as follows:

I

Respondent Frontier Commodities, Inc., a Tennessee corporation with its principal offices at 4110 Hillsboro Road, Nashville, Tennessee, was at all times material herein, a registered futures commission merchant under the Commodity Exchange Act. The respondent corporation is no longer a registrant under the Commodity Exchange Act. At all times material herein up until on or about February 9, 1972, the name of the respondent corporation was Frontier Securities, Inc.

II

Respondent Edwin J. Schuffman, an individual whose address is 532 Glengarry Drive, Nashville, Tennessee, is now, and was at all times material herein, the president and a director of the respondent

corporation and the owner of 50 per cent of its capital stock. At all such times, respondent Schuffman had responsibility for the management, direction and control of the respondent corporation.

III

At all times material herein, the respondent corporation, in the regular course of its business as futures commission merchant, carried accounts for customers who traded in commodity futures. Such accounts, the trading therein, and the handling and disposition of funds in connection therewith, were subject to the provisions of the Commodity Exchange Act and the rules and regulations issued thereunder. At all such times, the respondent corporation had to its credit with a bank or other depository sums of money in varying amounts held in segregated account and identified as customers' funds, representing deposits of margin by and trading profits accruing to such customers.

IV

On January 7, 10, 12, 13, 18 and 31 and February 1, 2, 3 and 4, 1972, the respondent corporation was undersegregated within the range of \$ 1,223.23 to \$ 30,988.30 -- that is, on the ten days mentioned the total amount of customers' funds held in segregation by the respondent corporation, as described in

paragraph III hereof, was from \$ 1,223.23 to \$ 30,988.30 less than the amount necessary to pay all credits and equities due to such customers.

V

During the period from October 31, 1971 through January 18, 1972, the respondent corporation engaged as a registered futures commission merchant under the Commodity Exchange Act while failing to meet the minimum financial requirements prescribed by section 1.17 of the regulations (17 CFR 1.17) issued by the Secretary of Agriculture under section 4f of the Act (7 U.S.C. 6f). The respondent corporation lacked \$ 18,727.17 on October 31, 1971 and \$ 109,528.42 on January 18, 1972, of having enough working capital to meet such minimum financial requirements.

VI

Under 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, and whenever any such computation showed, or the respondent corporation knew or had reason to believe, that its net worth had declined 20 percent or more from its net worth as shown in the report of its financial condition which it filed with the Commodity Exchange Authority as of September 30, 1971, the respondent corporation was obligated to notify immediately the Commodity Exchange Authority thereof. The respondent firm's computations of its net worth as of November 30 and December 31, 1971, showed that its net worth had declined more than 20 percent of

its net worth as shown in its financial report as of September 30, 1971, but the respondent corporation failed or refused to notify the Commodity Exchange Authority thereof, as required under the above-cited section of the regulations.

VII

Under the regulations issued pursuant to the Commodity Exchange Act (17 CFR 15.00(b) and (c), 17.00), the respondent corporation was obligated during the period specified below to report to the Commodity Exchange Authority for each business day with respect to any customer's account on its books which showed a position of 25 contracts or more in a single pork belly future, and with respect to any customer's account on its books which showed a position of 200,000 bushels or more in a single soybean future. On December 14, 15, 20, 21, 1971 and January 5, 6, 7, 10, 14, 17, 18, 19, 26, 31, and February 1, 1972, the respondent corporation carried customers' accounts which had such reportable positions, but the respondent corporation failed or refused to report to the Commodity Exchange Authority with respect to such accounts, as required under the above-cited sections of the regulations.

VIII

By reason of the facts alleged in this complaint, the respondents violated sections 4d, 4f, 4g and 4i of the Commodity Exchange

Act (7 U.S.C. 6d, 6f, 6g, 6i) and sections 1.10, 1.17, 1.20, 1.21, 1.22, 15.00 and 17.00 of the regulations thereunder (17 CFR 1.10, 1.17, 1.20, 1.21, 1.22, 15.00, 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, 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 four 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 purposes 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 hearing is waived, a hearing will be held at 10:00 a.m., local time, on July 19, 1972, in Nashville, Tennessee, at a place therein to be

specified later, before a referee 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 regulations in the manner alleged herein.

It is ordered that this complaint and notice of hearing be served on the respondents at least twenty (20) days prior to the date set for hearing.

Done at Washington, D. C.

JUNE 1, 1972

[SEE SIGNATURE IN ORIGINAL]

Richard E. Lyng

Assistant Secretary

LOAD-DATE: June 16, 2008

