

Commodity Futures Trading Commission
CEA CASES

NAME: CONTINENTAL GRAIN COMPANY, JULIUS MAYER AND SELWYN S. UNELL

DOCKET NUMBER: 84

DATE: MAY 12, 1958

DOCUMENT TYPE: COMPLAINT

UNITED STATES DEPARTMENT OF AGRICULTURE
BEFORE THE SECRETARY OF AGRICULTURE

In re: Continental Grain Company, Julius Mayer, and Selwyn S. Unell, Respondents
CEA Docket No. 84

Complaint and Notice of Hearing under Section 6(b) of the Commodity Exchange Act

There is reason to believe that the respondents, Continental Grain Company, Julius Mayer, and Selwyn S. Unell, attempted to manipulate and did manipulate the price of a commodity in interstate commerce and for future delivery on or subject to the rules of a board of trade, in violation of the Commodity Exchange Act (7 U.S.C. 1952 ed., §§ 9, 13), and in accordance with the provisions of section 6(b) of the said act (7 U.S.C. 1952 ed., § 9), this complaint and notice of hearing is issued stating the charges in that respect as follows:

I

Respondent Continental Grain Company, hereinafter called Continental, is now and was at all times material herein a corporation organized under the laws of the State of Delaware, with its principal office and place of business at 141 West Jackson Boulevard, Chicago 4, Illinois, and branch offices throughout the United States. The said corporation is now and was at all such times engaged in business as

a merchant, receiver, shipper, broker, warehouseman, importer and exporter of grain and other commodities, buying and selling grain through its various offices and trading in grain for future delivery for its own account on boards of trade in the United States, including the Board of Trade of the City of Chicago. The said corporation is now and was at all such times a clearing member of the Board of Trade of the City of Chicago, and a registered futures commission merchant under the Commodity Exchange Act.

II

Respondent Julius Mayer, an individual whose address is 912 Skokie Ridge Drive, Glencoe, Illinois, is now and was at all times material herein the executive vice president of Continental, a member of the Board of Trade of the City of Chicago, and a registered floor broker under the Commodity Exchange Act. Respondent Selwyn S. Unell, an individual whose address is 710 Hinman Avenue, Evanston, Illinois, is now and was at all times material herein a member of the Board of Trade of the City of Chicago and a registered floor broker under the Commodity Exchange Act.

III

The Board of Trade of the City of Chicago, hereinafter called the Chicago Board of Trade, is now and was at all times material herein a duly designated contract market under the Commodity Exchange Act.

IV

On September 13, 1957, the Commodity Credit Corporation, an instrumentality of the United States Government, hereinafter called Commodity, pursuant to prior announcement and in accordance with its usual practice, was selling cash corn on bids at flat prices submitted to it not later than 2:30 p.m., on that day. Under the pricing method used by Commodity, and well known to the grain trade, including Continental, the lowest acceptable bid price was a price equivalent to the settlement price of the September 1957 corn future on the Chicago Board of Trade on the day of the bid, plus a premium applicable to the specified point of delivery.

V

On September 13, 1957, shortly before the close of the trading session on the Chicago Board of Trade, respondent Selwyn S. Unell, acting on behalf of Continental and pursuant to orders and instructions given to him by respondent Julius Mayer, made a series of rapid and successive offers of the September 1957 corn future on a descending price scale on the floor of the Chicago Board of Trade, in the course of which he sold 200,000 bushels of such future at prices ranging from \$ 1.24 down to \$ 1.22 1/2 per bushel, including a sale of 20,000 bushels at \$ 1.22 1/2 per bushel to respondent Julius Mayer, also

acting for Continental. At approximately 1:15 p.m., at the conclusion of the said series of offers and sales, the trading session closed. The closing price range of the said future was \$ 1.23 - \$ 1.22 1/2 per bushel, and on the basis of this closing price range the settlement price was established at \$ 1.22 3/4 per bushel. Subsequent thereto and before 2:30 p.m., Continental submitted bids to Commodity for a total of 700,000 bushels of cash corn at prices equivalent to \$ 1.22 3/4 per bushel plus the applicable premiums, and such bids were accepted by Commodity and the said quantity of cash corn was thereupon sold to Continental.

VI

The offers and sales of September 1957 corn futures described in paragraph V were initiated and ordered by respondents Continental Grain Company and Julius Mayer, and were entered into and executed for Continental's account by respondents Julius Mayer and Selwyn S. Unell, for the purpose and with the intent of depressing the price of the September 1957 corn future on the Chicago Board of Trade and bringing about a lower closing price for such future than would otherwise prevail, in order to enable Continental to bid for and purchase cash corn from Commodity at lower prices, and such offers and sales caused unjustified decreases in the price of such future

and in the price of cash corn sold by Commodity. By reason of such acts, the respondents attempted to manipulate and did in fact manipulate the price of corn in interstate commerce and for future delivery on or subject to the rules of a board of trade, in wilful violation of sections 6(b) and 9 of the Commodity Exchange Act (7 U.S.C. 1952 ed., §§ 9, 13).

VII

The sale of 20,000 bushels of September 1957 corn futures by respondent Selwyn S. Unell for the account of Continental, to respondent Julius Mayer for the account of Continental, described in paragraph V, was not a bona fide sale and purchase but was entered into and consummated for the purpose and with the intent of establishing a price quotation. By reason of such acts, the respondents offered to enter into and entered into a transaction which was a wash sale or fictitious sale, in wilful violation of section 4c of the Commodity Exchange Act (7 U.S.C. 1952 ed., § 6c).

Therefore the said respondents, Continental Grain Company, Julius Mayer, and Selwyn S. Unell, are hereby notified to be and appear at a hearing to be held at 10:00 a.m., local time, on the

29th day of July, 1958, at Room 1200, Board of Trade Building, Chicago, Illinois, before a referee designated to conduct such hearing, and then and there show cause, if any there be, why an order should not be made suspending or revoking the registration of respondent Continental Grain Company as a futures commission merchant, suspending or revoking the registrations of respondents Julius Mayer and Selwyn S. Unell as floor brokers, and directing that all contract markets refuse all trading privileges to the said respondents for such period of time as may be determined.

The respondents will have twenty (20) days after the receipt of this notice of hearing in which to file with the Hearing Clerk, United States Department of Agriculture, Washington 25, D. C., an answer with an original and seven copies, fully and completely stating the nature of the defense and admitting or denying specifically and in detail each material and relevant allegation of this complaint. Allegations that are not answered will be deemed to have been admitted for the purpose of this proceeding. Failure to file an answer will constitute a waiver of hearing.

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., this

12th day of May, 1958.

/s/ Don Paarlberg

Don Paarlberg

Assistant Secretary

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GRAIN

WASHINGTON (AP)-THE AGRICULTURE DEPARTMENT TODAY IMPOSED PENALTIES ON THE CONTINENTAL GRAIN CO. OF CHICAGO, A COMPANY OFFICER AND A CHICAGO FLOUR BROKER FOR ALLEGED MANIPULATION OF GRAIN PRICES ON KANSAS CITY AND CHICAGO COMMODITY FUTURES MARKETS.

THE ORDER WAS ISSUED WITH THE CONSENT -- THAT IS THE ACCEPTANCE -- OF THOSE NAMED.

EFFECTIVE NOV. 21, THE ORDER SUSPENDS FOR 90 DAYS THE REGISTRATION OF THE BIG GRAIN COMPANY AS A COMMISSION FUTURES MERCHANT. IT DIRECTS THE KANSAS CITY BOARD OF TRADE TO REFUSE THE COMPANY ALL TRADING PRIVILEGES IN WHEAT AND THE CHICAGO BOARD OF TRADE TO REFUSE IT ALL TRADING PRIVILEGES IN CORN DURING THE SAME PERIOD.

THE ORDER ALSO SUSPENDS FOR 90 DAYS THE REGISTRATION OF JULIUS MAYER, EXECUTIVE VICE PRESIDENT OF THE COMPANY, AS A FLOOR BROKER, AND DIRECTS REFUSAL OF ALL TRADING PRIVILEGES TO HIM ON ALL CONTRACT MARKETS FOR THE SAME PERIODS.

IT ALSO SUSPENDS THE REGISTRATION OF SELWYN S. UNELL, OF CHICAGO, AS A FLOOR BROKER FOR 30 DAYS AND DIRECTS THAT HE BE DENIED ALL TRADING PRIVILEGES ON ALL CONTRACT MARKETS FOR THE SAME PERIOD.

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WASHINGTON -- AND GRAIN (163)

IN A COMPLAINT FILED APRIL 30, 1956, THE DEPARTMENT CHARGED THAT CONTINENTAL GRAIN CO. MANIPULATED THE PRICE OF WHEAT FUTURES CONTRACTS ON THE KANSAS CITY BOARD OF TRADE ON JAN. 26, 1955, AND ON NOV. 30, 1955. THE DEPARTMENT ON MAY 12, 1958 ALSO CHARGED THAT THE COMPANY, MAYER AND UNELL MANIPULATED THE PRICES OF CASH CORN AND OF CORN FUTURES ON THE CHICAGO BOARD OF TRADE ON SEPT. 13, 1957.

HEARINGS ON THE FIRST COMPLAINT WERE HELD IN KANSAS CITY AND CHICAGO IN 1956 AND 1957. HEARINGS ON THE LATTER COMPLAINT WERE SCHEDULED TO BEGIN IN CHICAGO ON NOV. 18.

THE DEPARTMENT SAID THE COMPANY AND THE TWO INDIVIDUALS WAIVED ALL FURTHER HEARINGS AND CONSENTED TO ISSUANCE OF THE ORDER.

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LOAD-DATE: June 12, 2008

