

Commodity Futures Trading Commission
CEA CASES

NAME: KHALIL HADDAD

DOCKET NUMBER: 110

DATE: NOVEMBER 21, 1962

DOCUMENT TYPE: COMPLAINT

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

In re: Khalil Haddad, Respondent

CEA Docket No. 110

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

There is reason to believe that the respondent, Khalil Haddad, attempted to cheat and defraud and did cheat and defraud persons in or in connection with the making of contracts of sale of a commodity for future delivery on or subject to the rules of a board of trade in violation of § 4b(A) of the Commodity Exchange Act (7 U.S.C. § 6b(A)), and in accordance with the provisions of § 6(b) of the said Act (7 U.S.C. § 9), this complaint and notice of hearing is issued stating the charges against the respondent as follows:

I

The respondent, Khalil Haddad, an individual whose place of business is at 228 North La Salle Street, Chicago 1, Illinois, is now and was at all times material to this complaint a floor broker registered under the Commodity Exchange Act. The respondent was at all times material to this complaint a member of the Chicago Mercantile Exchange, and an agent or employee of a firm (hereinafter referred to as the respondent's employer) which is now, and was at all times material to this complaint, a futures commission merchant registered under the

Commodity Exchange Act and a clearing member of the Chicago Mercantile Exchange.

II

The Chicago Mercantile Exchange is now and was at all times material to this complaint a board of trade duly designated as a contract market under the Commodity Exchange Act.

III

At all times material to this complaint, the respondent was authorized to solicit or accept commodity futures orders for and in the name of the respondent's employer, and was engaged in executing orders on the Chicago Mercantile Exchange on behalf of the respondent's employer and its customers. The respondent also performed clerical duties in connection with the maintenance of records for the respondent's employer pertaining to commodity futures transactions on the Chicago Mercantile Exchange and on other contract markets. In addition to the respondent's duties for the respondent's employer, the respondent traded in commodity futures in his personal account which was carried with the customers' accounts of the respondent's employer.

IV

The futures transactions referred to in this complaint relate to the January 1962 frozen whole egg future and the September 1962 shell egg future on the Chicago Mercantile Exchange. Such contracts could have been used for (a) hedging transactions in interstate commerce in eggs or the products or byproducts thereof, (b) determining the price basis of transactions in interstate commerce in eggs, and (c) delivering

eggs sold, shipped, or received in interstate commerce for the fulfillment of such futures contracts.

V

On December 4, 1961, the respondent caused two contracts of January 1962 frozen whole egg futures to be sold on the Chicago Mercantile Exchange and cleared by the respondent's employer in its customers' account, but, in accordance with the respondent's instructions to the bookkeeper of the respondent's employer who recorded such transactions, the transactions were not allocated to any specific account.

VI

On December 20, 1961, the respondent sold two contracts of January 1962 frozen whole egg futures and caused two additional contracts of January 1962 frozen whole egg futures and one contract of September 1962 shell egg futures to be sold on the Chicago Mercantile Exchange. The respondent caused all of such contracts to be cleared by the respondent's employer in its customers' account, but, in accordance with the respondent's instructions to the bookkeeper of the respondent's employer who recorded such transactions, the transactions were not allocated to any specific account.

VII

On Thursday, January 11, 1962, an accountant from the Chicago office of the Commodity Exchange Authority visited the offices of the respondent's employer to audit records of the firm. The bookkeeper referred to in paragraphs V and VI above thereupon asked the respondent to give him the names of the persons for whom the sales referred to in paragraphs V and VI above were made. The respondent instructed the

bookkeeper to allocate the transactions to the accounts of six persons whose accounts with the respondent's employer were handled by the respondent. Pursuant to these instructions, the bookkeeper recorded the transactions in such accounts. The persons in whose accounts the contracts were placed had not authorized such transactions and had no knowledge of such transactions or of the bookkeeping entries made with respect to such transactions. At the time the respondent gave the bookkeeper the instructions to place the transactions in the specified accounts, substantial losses had accrued with respect to each of the transactions.

VIII

The bookkeeper referred to in paragraphs V through VII above insisted that the matters referred to in such paragraphs be brought to the attention of the office manager of the respondent's employer, and at a meeting held after the close of the market on January 11, 1962, the office manager ordered that the transactions be liquidated on the following day.

IX

Pursuant to the instructions of the office manager of the respondent's employer, the futures transactions referred to in this complaint were liquidated on January 12, 1962, at a substantial loss. The liquidating transactions and losses were entered in the ledger accounts of the persons referred to in

paragraph VII above in whose accounts the initial transactions had been placed. However, no statements were sent to such persons notifying them of such losses.

X

On Sunday, January 14, 1962, all of the facts relating to the foregoing matters were brought to the attention of the president of the respondent's employer, and the president of the firm determined that the futures transactions should be removed from the customers' accounts and that the losses should be charged to the respondent's personal account. Pursuant to such determination, bookkeeping entries were made removing the transactions and losses from the customers' accounts and placing the transactions and losses in the respondent's account.

XI

By reason of the facts set forth in this complaint, the respondent attempted to cheat and defraud and did cheat and defraud persons in or in connection with the making of contracts of sale of a commodity for future delivery on or subject to the rules of a board of trade in willfull violation of § 4b(A) of the Commodity Exchange Act (7 U.S.C. § 6b(A)).

WHEREFORE, it is hereby ordered that this complaint and notice of hearing be served upon the said respondent. The respondent 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 five 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 purpose 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 respondent is hereby notified that unless hearing is waived, either expressly or by failure to file an answer, or by filing an answer in which all of the material allegations of fact contained in the complaint are admitted and a hearing is not requested, a hearing will be held at 10:00 a.m., local time, on the 17th day of December, 1962, in Chicago, Illinois, at a place therein to be specified later, before a referee designated to conduct such hearing. At such hearing the respondent will have the right to appear and show cause, if any there be, why an order should not be made revoking, or suspending for such period of time as may be determined, the respondent's registration as a floor broker and directing that all contract markets refuse all trading privileges to the respondent for such period of time as may be determined.

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

Done at Washington, D. C., this

21st day of November, 1962.

/s/ John P. Duncan, Jr.

John P. Duncan, Jr.

Assistant Secretary

LOAD-DATE: June 12, 2008

