

Commodity Futures Trading Commission
CEA CASES

NAME: SECRETARY OF AGRICULTURE V. PARIS G. HUGHES

DOCKET NUMBER: 13

DATE: OCTOBER 25, 1939

DOCUMENT TYPE: DECISION AND ORDER

UNITED STATES OF AMERICA

BEFORE THE SECRETARY OF AGRICULTURE

C.E.A. DOCKET NO. 13

Secretary of Agriculture, Complainant, v. Paris G. Hughes, Respondent.

Proceedings, Findings of Fact, Conclusions, and Order.

PROCEEDINGS

On July 13, 1939, complaint was issued by the Acting Secretary of Agriculture, pursuant to the provisions of the Commodity Exchange Act (7 U.S.C., 1934 ed. and Supp. IV, Secs. 1-17a), against Paris G. Hughes, alleging that he is an individual trading as Hughes and Company at Great Falls, Montana, and has been registered as a futures commission merchant since June 1, 1938. It is charged that, between that date and April 30, 1939, in connection with commodity futures contracts on the Chicago Board of Trade, he failed to keep records required by the act and the rules and regulations thereunder; cheated, falsely reported to, and deceived customers by reporting that their orders had been executed through members of contract markets, and the prices at which they were executed, when they were not in fact so executed; bucketed orders, by confirming their

execution through members of contract markets when they were not executed but were held for his own account; conducted a place of business for commodity futures contracts and consummated such contracts other than through a member of a contract market; and communicated, in interstate commerce or through the mails, confirmations and reports of contracts subject to the rules of a contract market when such contracts were not executed by or through a member of a contract market. Respondent was directed to show why his registration should not be revoked and trading privileges on contract markets denied him, at a hearing in Washington, D. C., on July 26, 1939.

The complaint was served on the respondent by registered mail, together with a letter from the Solicitor advising the respondent that he might request a hearing at Great Falls, or elsewhere, if he desired to submit evidence and was unable to come to Washington. The hearing date was postponed to July 31. Respondent, through R. J. Reynolds, his attorney, filed an answer stating that he had "returned his license" on April 25, 1939, and had closed his business as a futures commission merchant, after fully liquidating his accounts as such. It is alleged that if his records were inaccurate or incomplete, they were not

intentionally so. Cheating, misrepresenting, and defrauding are denied. Bucketing, without the agreement, knowledge, and consent of his customers, is denied. The answer further denies respondent's conducting a place of business for, confirming, and reporting contracts not executed through contract market

members. Cancellation of his "license" is not objected to, but it is asked that this will not be to his disadvantage if he seeks a "new license" in the future.

The referee by letter advised respondent's attorney that future registration might be refused if the present registration is revoked, that trading privileges on contract markets might be denied in this proceeding, and that, to avoid any possible misunderstanding, the hearing was postponed until August 18, 1939.

The hearing was held in Washington, D. C., before Jack W. Bain, the referee, on August 18, 1939. Charles W. Bucy, Esq., Office of the Solicitor, Department of Agriculture, appeared for the Government. There was no appearance for the respondent. John J. Bachmann, in charge of the Division of Record Examination, Commodity Exchange Administration, Department of Agriculture, called by the Government, was the only witness. He produced the official report, containing work papers, of an examination of the respondent's records, made under Mr. Bachmann's direction by Clarence D. Cook, an accountant for the Commodity Exchange

Administration, in May 1939. This report shows that of all transactions for customers in Chicago wheat futures during the period concerned, the respondent executed only about half of them through members of contract markets, leaving the others open and unexecuted on contract markets.

After the close of the hearing, the referee's report, proposed findings of fact and conclusions, and recommended order were sent by registered mail to respondent's attorney and were delivered to him on September 8, 1939. Twenty days were given for filing exceptions, briefs, and requests for oral argument. None was filed.

FINDINGS OF FACT

1. Paris G. Hughes, the respondent, is an individual doing business as Hughes and Company at Great Falls, Montana. He is, and has been since June 1, 1938, registered with the Secretary of Agriculture as a futures commission merchant, pursuant to the provisions of the Commodity Exchange Act.

2. From June 1, 1938, until April 30, 1939, the respondent was a correspondent of Louis N. Ritten and Company, of Winthrop, Mitchell and Company, and of Moore, McLean and McDermott, which three firms were and are members of contract markets.

3. From June 1, 1938, until about April 30, 1939, the respondent conducted a place of business at 9 Third Street

North, Great Falls, Montana, for conducting dealings in wheat and other commodities for future delivery, many of which dealings were consummated otherwise than through a member of a contract market.

4. Between June 1, 1938, and April 30, 1939, the respondent bucketed nearly half of his customers' orders to make contracts of sale of wheat for future delivery subject to the rules of the Chicago Board of Trade, a contract market.

5. Each of the dealings and contracts in futures in wheat and other commodities, mentioned in the two preceding paragraphs, could be used for hedging, and for fixing a price basis for, interstate transactions in the commodity involved.

CONCLUSIONS

It appears from the record in this proceeding that the activities of the respondent, with respect to his commodity futures business, wore largely in the nature of the operation of a bucket shop. It is concluded, therefore, that his registration as futures commission merchant should be revoked and his trading privileges on contract markets should be denied.

ORDER

IT IS ORDERED that the registration of Paris G. Hughes as futures commission merchant for the period ending December

31, 1939, be, and it is hereby, revoked.

IT IS FURTHER ORDERED that all contract markets, until further notice by the Secretary of Agriculture, refuse all trading privileges thereon to Paris G. Hughes.

IT IS FURTHER ORDERED that a copy hereof be sent by registered mail to the respondent and a copy sent to each contract market, and that this order shall be effective 10 days after the date hereof.

(SEAL)

Done at Washington, D. C., this 25th day of October, 1939. Witness my hand and the seal of the Department of Agriculture.

(signed) Harry L. Brown.

Assistant Secretary of Agriculture.

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