

Commodity Futures Trading Commission
CEA CASES

NAME: GLENN L. MARTIN, HENRY L. T. ULLRICH, AND ULLRICH & COMPANY

CITATION: 5 Agric. Dec. 435

DOCKET NUMBER: 35

DATE: June 5, 1946

DOCUMENT TYPE: DECISION AND ORDER

(A. D. 1243)

In re GLENN L. MARTIN, HENRY L. T. ULLRICH, AND ULLRICH & COMPANY. CEA Doc. No. 35. Decided June 5, 1946.

Violation of Act -- Exceeding Daily Trading Limit -- Refusing Trading Privileges by Contract Markets

For violating the daily trading limit for rye futures on the Chicago Board of Trade, all contract markets are directed to refuse as to one respondent all trading privileges thereon for a period of five days.

Mr. Benj. M. Holstein for complainant. *Mr. P. J. Mulligan*, of Cleveland, Ohio, for respondent Glenn L. Martin. *Mr. Henry L. T. Ullrich*, *pro se*. *Mr. John B. Poindexter*, Referee.

Decision by Thomas J. Flavin, Judicial Officer.

PRELIMINARY STATEMENT

This is a disciplinary proceeding under the Commodity Exchange Act (7 U.S.C. Chapter 1), instituted by a complaint issued by the Secretary of Agriculture on July 10, 1945. Two respondents, Glenn L. Martin of Baltimore, Maryland, and Henry L. T. Ullrich of Wilmington, Delaware, were charged with exceeding the daily trading limit for rye futures on the Chicago Board of Trade on June 9, 1945. At the request of Respondent Martin, the time to answer was extended to August 20 by John B. Poindexter, Office of the Solicitor, who was assigned as referee by an Associate Solicitor on July 28.

Within the time allowed, the two respondents filed separate answers, admitting that the alleged transaction was made and that it violated the limit, but stating that neither knew of the limit, that neither intended any violation, and that Martin did not even know of the transaction until it was subsequently confirmed to him by Ullrich, who ordered it for Martin's account pursuant to prior authorization given to Ullrich & Company to direct trading in the account. Martin stated that he depended upon Ullrich and the broker with which the account was carried to see that the trading was properly conducted. Ullrich alleged that he depended upon the broker for proper executions, and that it had executed his order without advising that it was improper. Both respondents asked that the complaint be dismissed, and waived oral hearing.

At the request of counsel for the Production and Marketing Administration, a prehearing conference was held in Washington on November 15, 1945. Correspondence concerning the situation surrounding the transaction was received in evidence, and by consent Ullrich & Company, a corporation, was made a party respondent. It adopted as its answer the one previously filed by Respondent Ullrich. By a letter filed on December 6, 1945, Ullrich requested that the broker be made a party. On March 25, 1946, complainant filed a statement recommending dismissal as to Martin and suspension of the trading privileges of Ullrich and Ullrich & Company on contract markets for 30 days.

In his report, issued on April 10, 1946, the referee denied the request to make the broker a respondent on the ground that the trading limit applies to a registered futures commission merchant for his personal trades only. He proposed dismissal as to Martin because he did not actually know of his agent's act, and suspension of Ullrich and Ullrich & Company for 15 days only, because their violation was unintentional. On May 6, 1946, Ullrich filed exceptions to the report, not disputing the facts but objecting to the conclusion that any order should issue against him or his company. He requested oral argument, which is denied for reasons stated in the Conclusions.

FINDINGS OF FACT

1. Glenn L. Martin is an individual whose address is 3703 Greenway, Baltimore, Maryland. Henry L. T. Ullrich is an individual whose business address is Delaware Trust Building, Wilmington, Delaware. Ullrich & Company is a Delaware corporation whose address is Delaware Trust Building, Wilmington, Delaware, and whose president is Henry L. T. Ullrich. The corporation is engaged in the business of managing investment and speculative accounts for others for a fee based upon the amount of the funds employed.

2. On September 10, 1943, by a letter addressed to Laird, Bissell & Meeds, Wilmington, Delaware, a stock and commodity brokerage firm, Glenn L. Martin authorized Ullrich & Company to direct trading in his account carried with Laird, Bissell & Meeds.

3. On June 9, 1945, Ullrich & Company, acting through its president, Henry L. T. Ullrich, and pursuant to the authorization from Martin, bought for Martin through Laird, Bissell & Meeds 3,300,000 bushels of rye for future delivery on The Board of Trade of the City of Chicago, a contract market, such purchase involving neither a spread nor a hedge.

4. During June 1945 the limit fixed by the Commodity Exchange Commission as the maximum amount of rye futures which any person

could buy or sell in one day on one contract market was 2,000,000 bushels (17 CRF, Cum. Supp., 150.1). Neither Martin, Ullrich, nor Ullrich & Company had actual knowledge of this limit on June 9, 1945. Laird, Bissell & Meeds knew of the limit but did not think this purchase, which involved a switch from a short position of less than 2,000,000 bushels to a long position of less than 2,000,000 bushels, violated the limit. Martin did not know the purchase was made until after June 9, 1945.

5. The broker did not purchase the 3,300,000 bushels in a lump sum but in various smaller amounts at various prices at various times during the trading period on June 9, 1945.

CONCLUSIONS

By a specific provision of section 2 of the statute, the authorized act of an agent is deemed the act of the principal as well as that of the agent. Ullrich & Company was authorized to purchase rye futures for Martin, and Ullrich acted for the corporation in making the purchase. For present purposes, then, the purchase of rye futures was the act of each of the three respondents. Such a purchase on one day violated section 4a(2) of the act, and the violation authorizes suspension of the trading privileges of each of the respondents in accordance with section 6(b).

While the fact that Martin did not know of the purchase when it was made does not excuse him from the responsibility for his agent's act, it is of significance in determining what suspension should be ordered. In CEA Docket No. 24, *Secretary v. Richards and Novotny*, decided in 1941, before publication of the Agriculture Decisions, the Assistant Secretary of Agriculture held one partner responsible for the acts of another, but suspended his trading privileges for only the nominal period of one day because he did not actually know of his partner's violations. Such a nominal suspension might also be

appropriate for Respondent Martin here, but as no suspension has been recommended for him, none is ordered.

The fact that Ullrich and Ullrich & Company did not know of the limit is likewise of significance in determining their suspension. They did not deliberately violate the act, and there appears to be only one violation. However, their position is not exactly the same as Martin's. *They have chosen to engage in the business of directing trading for others.* By such action, they hold themselves out as having knowledge of trading regulations, and, it seems to us, they assume a higher degree of responsibility for acquaintance with such regulations. In behalf of these respondents, we may state again that no moral turpitude seems to be involved here, but those who deal in futures have the burden of trading in accordance with

all valid regulations of the business. While a long suspension would be unwarranted, some sanction should be applied. Under the circumstances, a suspension of five days for Ullrich and Ullrich & Company seems sufficient.

The question here involved is whether these respondents violated the act, not whether someone else did. Accordingly, the referee properly refused Ullrich's request to make the broker a party respondent. Violations by the broker, even if established, would not excuse violations by these respondents. It is unnecessary to decide here, and we do not decide, how trading limits apply to brokers, and whether the referee would have been authorized to grant the request. It does appear, as Ullrich contends, that the broker might have prevented the violation by mentioning the limit, or perhaps even by executing part of the order on the following day, but we have taken this into account in considering the situation.

Ullrich and Ullrich & Company do not dispute the facts. It rather clearly appears from their statements throughout the record that their contention is simply that no suspension at all should be given them. It seems unlikely that oral argument would clarify or strengthen their contentions, or serve any useful purpose, and such argument was not held.

ORDER

Beginning on the 30th day after this date, all contract markets shall refuse Respondent Henry L. T. Ullrich and Respondent Ullrich & Company, and each of them, all trading privileges thereon for a period of five days. Copies of this decision shall be served on the parties or their counsel of record, and on each contract market.

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LOAD-DATE: March 12, 2008

