

[CHAPTER 544.]

## AN ACT

To provide for the appointment of two additional judges for the Southern District of New York.

June 15, 1936.  
[S. 3389.]  
[Public, No. 674.]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the President of the United States be, and he is hereby, authorized to appoint, by and with the advice and consent of the Senate, two additional judges of the District Court of the United States for the Southern District of New York.

United States courts.  
New York Southern  
District.  
Two additional  
judges authorized.

Approved, June 15, 1936.

[CHAPTER 545.]

## AN ACT

To amend the Grain Futures Act to prevent and remove obstructions and burdens upon interstate commerce in grains and other commodities by regulating transactions therein on commodity futures exchanges, to limit or abolish short selling, to curb manipulation, and for other purposes.

June 15, 1936.  
[H. R. 6772.]  
[Public, No. 675.]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 1 of the Grain Futures Act (U. S. C., 1934 ed., title 7, sec. 1) is amended to read as follows: "That this Act may be cited as the 'Commodity Exchange Act.'"

Commodity Ex-  
change Act.  
Vol. 42, p. 998;  
U. S. C., p. 109.  
Short title.

SEC. 2. The Grain Futures Act (U. S. C., 1934 ed., title 7, secs. 1 to 17, inclusive) is amended by striking out the word "grain" wherever it appears in such Act and inserting in lieu thereof "commodity", "any commodity", or "commodities", as the case may require, and by striking out the phrase "cash grain" wherever such phrase appears and inserting in lieu thereof "any cash commodity".

Grain Futures Act  
amended.

Scope.

SEC. 3. Section 2 of the Grain Futures Act (U. S. C., 1934 ed., title 7, secs. 2, 3 and 4) is amended by—

Vol. 42, p. 998;  
U. S. C., p. 109.

(a) striking out the third sentence of paragraph (a) and inserting in lieu thereof the following: "The word 'commodity' shall mean wheat, cotton, rice, corn, oats, barley, rye, flaxseed, grain sorghums, mill feeds, butter, eggs and *Solanum tuberosum* (Irish potatoes)."; and

Definitions.  
"Commodity."

(b) adding at the end of paragraph (a) the following sentences: "The words 'cooperative association of producers' shall mean any cooperative association, corporate or otherwise, not less than 75 per centum in good faith owned or controlled, directly or indirectly, by producers of agricultural products and otherwise complying with an Act of Congress of February 18, 1922 (U. S. C., 1934 ed., title 7, secs. 291 and 292), as now or hereafter amended, including any organization acting for a group of such associations and owned or controlled by such associations, provided that business done for or with the United States of America, or any agency thereof, shall not be considered either member or nonmember business in determining the compliance of any such association with said Act of Congress of February 18, 1922. The words 'member of a contract market' shall mean and include individuals, associations, partnerships, corporations, and trusts owning or holding membership in, or admitted to membership representation on, a contract market or given members' trading privileges thereon. The words 'futures commission merchant' shall mean and include individuals, associations, partnerships, corporations, and trusts engaged in soliciting or in accepting orders for the purchase or sale of any commodity for future delivery on or subject to the rules of any contract market and that, in or in

"Cooperative associ-  
ation of producers."

Vol. 42, p. 388.  
U. S. C., p. 134.

Business done for  
United States, etc.

"Member of a con-  
tract market."

"Futures commis-  
sion merchant."

"Floor broker."	connection with such solicitation or acceptance of orders, accepts any money, securities, or property (or extends credit in lieu thereof) to margin, guarantee, or secure any trades or contracts that result or may result therefrom. The words 'floor broker' shall mean any person who, in or surrounding any 'pit', 'ring', 'post', or other place provided by a contract market for the meeting of persons similarly engaged, shall engage in executing for others any order for the purchase or sale of any commodity for future delivery on or subject to the rules of any contract market, and who for such services receives or accepts any commission or other compensation. The words 'the commission' shall mean the Commodity Exchange Commission, consisting of the Secretary of Agriculture, the Secretary of Commerce, and the Attorney General."
"The commission."	SEC. 4. Section 4 of the Grain Futures Act (U. S. C., 1934 ed., title 7, sec. 6) is amended by—
Prohibition against dealings in grain futures. Exceptions.	(a) striking out the word "except" at the end of the first paragraph; (b) striking out all of paragraph (a); and (c) striking out the parentheses and letter "b" and the word "Where" at the beginning of paragraph (b) and inserting in lieu thereof the words "except, in any of the foregoing cases, where".
Excessive speculation in commodities for future delivery causing unreasonable price changes.	SEC. 5. The Grain Futures Act is amended by adding after section 4 (U. S. C., 1934 ed., title 7, sec. 6) the following new sections:
Commission to proclaim limits on futures trading.	"SEC. 4a. (1) Excessive speculation in any commodity under contracts of sale of such commodity for future delivery made on or subject to the rules of contract markets causing sudden or unreasonable fluctuations or unwarranted changes in the price of such commodity, is an undue and unnecessary burden on interstate commerce in such commodity. For the purpose of diminishing, eliminating, or preventing such burden, the commission shall, from time to time, after due notice and opportunity for hearing, by order, proclaim and fix such limits on the amount of trading under contracts of sale of such commodity for future delivery on or subject to the rules of any contract market which may be done by any person as the commission finds is necessary to diminish, eliminate, or prevent such burden. Nothing in this section shall be construed to prohibit the commission from fixing different trading limits for different commodities, markets, futures, or delivery months, or different trading limits for buying and selling operations, or different limits for the purposes of subparagraphs (A) and (B) of this section, or from exempting transactions commonly known to the trade as 'spreads' or 'straddles' or from fixing trading limits applying to such transactions different from trading limits fixed for other transactions.
Different trading limits for different commodities, etc.	"(2) The commission shall, in such order, fix a reasonable time (not to exceed ten days) after the order's promulgation; after which, and until such order is suspended, modified, or revoked, it shall be unlawful for any person—
Exempting "spreads" or "straddles."	"(A) directly or indirectly to buy or sell, or agree to buy or sell, under contracts of sale of such commodity for future delivery on or subject to the rules of the contract market or markets to which the order applies, any amount of such commodity during any one business day in excess of any trading limit fixed for one business day by the commission in such order for or with respect to such commodity; or
Promulgation of order after reasonable notice.	"(B) directly or indirectly to buy or sell, or agree to buy or sell, under contracts of sale of such commodity for future delivery on or subject to the rules of any contract market, any amount of such commodity that shall result in giving such person a net long or net short position at any one time in or with respect to any such
Unlawful transactions. Excessive trading in any one business day.	
Excessive net long or net short position in futures transactions.	

commodity in excess of any trading limit fixed by the commission for net long or net short position in such order for or with respect to such commodity.

"(3) No order issued under paragraph (1) of this section shall apply to transactions which are shown to be bona fide hedging transactions. For the purposes of this paragraph, bona fide hedging transactions shall mean sales of any commodity for future delivery on or subject to the rules of any board of trade to the extent that such sales are offset in quantity by the ownership or purchase of the same cash commodity or, conversely, purchases of any commodity for future delivery on or subject to the rules of any board of trade to the extent that such purchases are offset by sales of the same cash commodity. There shall be included in the amount of any commodity which may be hedged by any person—

"(A) the amount of such commodity such person is raising, or in good faith intends or expects to raise, within the next twelve months, on land (in the United States or its Territories) which such person owns or leases;

"(B) an amount of such commodity the sale of which for future delivery would be a reasonable hedge against the products or byproducts of such commodity owned or purchased by such person, or the purchase of which for future delivery would be a reasonable hedge against the sale of any product or byproduct of such commodity by such person.

"(4) This section shall apply to a person that is registered as a futures commission merchant or as floor broker under authority of this Act only to the extent that transactions made by such person are made on behalf of or for the account or benefit of such person. This section shall not apply to transactions made by, or on behalf of, or at the direction of, the United States, or a duly authorized agency thereof.

"SEC. 4b. It shall be unlawful for any member of a contract market, or for any correspondent, agent, or employee of any member, in or in connection with any order to make, or the making of (1) any contract of sale of any commodity in interstate commerce, or (2) any contract of sale of any commodity for future delivery made, or to be made, on or subject to the rules of any contract market for or on behalf of any person if such contract for future delivery is or may be used for (a) hedging any transaction in interstate commerce in such commodity or the products or by products thereof, or (b) determining the price basis of any transaction in interstate commerce in such commodity, or (c) delivering any such commodity sold, shipped, or received in interstate commerce for the fulfillment thereof—

"(A) to cheat or defraud or attempt to cheat or defraud such person;

"(B) willfully to make or cause to be made to such person any false report or statement thereof, or willfully to enter or cause to be entered for such person any false record thereof;

"(C) willfully to deceive or attempt to deceive such person by any means whatsoever in regard to any such order or contract or the disposition or execution of any such order or contract, or in regard to any act of agency performed with respect to such order or contract for such person; or

"(D) to bucket such order, or to fill such order by offset against the order or orders of any other person, or willfully and knowingly and without the prior consent of such person to become the buyer in respect to any selling order of such person, or become the seller in respect to any buying order of such person.

Bona fide hedging transactions exempted.

Term construed.

Producers.

Hedging against sale of products or byproducts of commodities.

Registered futures commission merchant dealing on own account.

Transactions by United States, etc.

Contracts of sale by members of contract markets, in interstate commerce.  
Unlawful acts.

Cheating, etc.

False reports.

Willful deception.

Bucketing orders, etc.

Cotton; simultaneous execution of buying and selling orders for different principals.

*Proviso.*  
Execution of, at public outcry.  
Report, recording, and clearing.

Additional unlawful acts.

"Wash sale", etc.

"Privilege", etc.

Use of transaction to cause reporting, etc., of untrue price.

Exchange of futures in connection with cash commodity transactions, etc.

State laws not impaired.

Futures commission merchants.  
Qualifications, restrictions, etc.

Registration.

Treatment of property received to margin, etc., trades.  
Money and other property belonging to customer.

Accounting, unauthorized use, etc.

*Provisos.*  
Deposit, withdrawal, etc.

"Nothing in this section or in any other section of this Act shall be construed to prevent a futures commission merchant or floor broker who shall have in hand, simultaneously, buying and selling orders at the market for different principals for a like quantity of cotton for future delivery in the same month, from executing such buying and selling orders at the market price: *Provided*, That any such execution shall take place on the floor of the exchange where such orders are to be executed at public outcry across the ring and shall be duly reported, recorded, and cleared in the same manner as other orders executed on such exchange.

"SEC. 4c. It shall be unlawful for any person to offer to enter into, enter into, or confirm the execution of, any transaction involving any commodity, which is or may be used for (1) hedging any transaction in interstate commerce in such commodity or the products or byproducts thereof, or (2) determining the price basis of any such transaction in interstate commerce in such commodity, or (3) delivering any such commodity sold, shipped, or received in interstate commerce for the fulfillment thereof—

"(A) if such transaction is, is of the character of, or is commonly known to the trade as, a 'wash sale', 'cross trade', or 'accommodation trade', or is a fictitious sale;

"(B) if such transaction is, is of the character of, or is commonly known to the trade as, a 'privilege', 'indemnity', 'bid', 'offer', 'put', 'call', 'advance guaranty', or 'decline guaranty', or

"(C) if such transaction is used to cause any price to be reported, registered, or recorded which is not a true and bona fide price.

"Nothing in this section shall be construed to prevent the exchange of futures in connection with cash commodity transactions or of futures for cash commodities, or of transfer trades or office trades if made in accordance with board of trade rules applying to such transactions and such rules shall not have been disapproved by the Secretary of Agriculture. Nothing in this section or section 4b shall be construed to impair any State law applicable to any transaction enumerated or described in such sections.

"SEC. 4d. It shall be unlawful for any person to engage as futures commission merchant in soliciting orders or accepting orders for the purchase or sale of any commodity for future delivery, or involving any contracts of sale of any commodity for future delivery, on or subject to the rules of any contract market unless—

"(1) such person shall have registered, under this Act, with the Secretary of Agriculture as such futures commission merchant and such registration shall not have expired nor been suspended nor revoked; and

"(2) such person shall, whether a member or nonmember of a contract market, treat and deal with all money, securities, and property received by such person to margin, guarantee, or secure the trades or contracts of any customer of such person, or accruing to such customer as the result of such trades or contracts, as belonging to such customer. Such money, securities, and property shall be separately accounted for and shall not be commingled with the funds of such commission merchant or be used to margin or guarantee the trades or contracts, or to secure or extend the credit, of any customer or person other than the one for whom the same are held: *Provided, however*, That such money, securities, and property of the customers of such futures commission merchant may, for convenience, be commingled and deposited in the same account or accounts with any bank or trust company or with the clearing house organization of such contract market, and that such share thereof as in the normal course of business

shall be necessary to margin, guarantee, secure, transfer, adjust, or settle the contracts or trades of such customers, or resulting market positions, with the clearing-house organization of such contract market or with any member of such contract market, may be withdrawn and applied to such purposes, including the payment of commissions, brokerage, interest, taxes, storage, and other charges, lawfully accruing in connection with such contracts and trades: *Provided further*, That such money may be invested in obligations of the United States, in general obligations of any State or of any political subdivision thereof, in obligations fully guaranteed as to principal and interest by the United States, and in 'investment securities' as defined in and under authority of section 5136 of the Revised Statutes, as amended, and, subject to approval by the Secretary of Agriculture, may be loaned on the security of negotiable warehouse receipts conveying or securing title to readily marketable commodities to the extent of the current loan value of such receipts, such investments and loans to be made in accordance with such rules and regulations and subject to such conditions as the Secretary of Agriculture may prescribe.

"SEC. 4e. It shall be unlawful for any person to act as floor broker in executing any orders for the purchase or sale of any commodity for future delivery, or involving any contracts of sale of any commodity for future delivery, on or subject to the rules of any contract market unless such person shall have registered, under this Act, with the Secretary of Agriculture as such floor broker and such registration shall not have expired nor been suspended nor revoked.

"SEC. 4f. (1) Any person desiring to register as futures commission merchant or as floor broker hereunder shall be registered upon application to the Secretary of Agriculture, which application shall be made in form and manner to be prescribed by the Secretary of Agriculture, giving such information and facts as the Secretary of Agriculture may deem necessary concerning the business in which the applicant is or will be engaged, including, in the case of applications of futures commission merchants, the names and addresses of the managers of all branch offices and of all correspondents and agents engaged in soliciting or accepting on behalf of such applicant any orders for the purchase or sale of any commodity for future delivery on or subject to the rules of any board of trade, and including also the names of its officers and partners, if a partnership, and of its officers, directors, and stockholders, as the Secretary of Agriculture may direct, if a corporation. Such person, when registered hereunder, shall likewise continue to report and furnish to the Secretary of Agriculture the above-mentioned information and such other information pertaining to his business as the Secretary of Agriculture may require. All registrations shall expire on the 31st day of December of the year for which issued, and shall be renewed upon application therefor unless the registration has been suspended (and the period of such suspension has not expired) or revoked after notice and hearing as prescribed in section 4g of this Act.

"(2) Any person registered as futures commission merchant hereunder shall post in a conspicuous place in each of the offices maintained by such person in the United States in which orders for the purchase or sale of any commodity for future delivery are solicited or accepted, the original or duplicate copy (issued by the Secretary of Agriculture) of such person's registration certificate as such futures commission merchant.

Investments allowed.

R. S., sec. 5136, p. 993.  
U. S. C., p. 352.  
Vol. 48, p. 184.

Floor broker executing orders for future delivery without being registered.

Application for registration.

Form, manner, etc., to be prescribed.

Information to be furnished.

Branch managers, etc.

Officers, directors, etc.

Continuance of reports, etc.

Expiration of registrations; renewals.

Posting of registration certificate.

Revocation or suspension of registration for designated causes.

Violations of Act; rules and regulations.

Failure to make reports, etc.

Failure to keep books, etc.; not permitting inspection.

Operating place of business where orders are solicited, etc.

Used for hedging, price basis, or delivery of commodity in interstate commerce.

Misrepresentations.

Making contract for future delivery, without reporting same, in excess of prescribed limits.

Record, etc., of transactions to be kept.

"SEC. 4g. If any person registered hereunder as futures commission merchant or floor broker shall violate any of the provisions of this Act, or any of the rules or regulations of the Secretary of Agriculture thereunder, or shall fail or refuse to make any report required by the Secretary of Agriculture regarding the transactions of such person, or the transactions of the customers thereof, in commodities for future delivery on any board of trade in the United States or elsewhere, or shall fail or refuse to keep the books and records pertaining to such transactions in the form and manner required by the Secretary of Agriculture, or shall fail or refuse to keep such books and records open to inspection by any representative of the United States Department of Agriculture or the United States Department of Justice, the registration of such person may be suspended or revoked after notice and hearing in accordance with the procedure and subject to the judicial review provided in paragraph (b) of section 6 of this Act.

"SEC. 4h. It shall be unlawful for any person—

"(1) to conduct any office or place of business anywhere in the United States or its territories for the purpose of soliciting or accepting any orders for the purchase or sale of any commodity for future delivery, or for making or offering to make any contracts for the purchase or sale of any commodity for future delivery, or for conducting any dealings in commodities for future delivery, that are or may be used for

(A) hedging any transaction in interstate commerce in such commodity or the products or byproducts thereof, or

(B) determining the price basis of any such transaction in interstate commerce, or

(C) delivering any such commodity sold, shipped, or received in interstate commerce for the fulfillment thereof, if such orders, contracts, or dealings are executed or consummated otherwise than by or through a member of a contract market; or

"(2) falsely to represent such person to be a member of a contract market, or the representative or agent of such member, or to be a futures commission merchant registered under this Act, or the agent of such registered futures commission merchant, in soliciting or handling any order or contract for the purchase or sale of any commodity in interstate commerce or for future delivery, or falsely to represent in connection with the handling of any such order or contract that the same is to be or has been executed on, or by or through any member of, any contract market.

"SEC. 4i. It shall be unlawful for any person to make any contract for the purchase or sale of any commodity for future delivery on or subject to the rules of any contract market unless such person shall report or cause to be reported to the properly designated officer in accordance with the rules and regulations of the Secretary of Agriculture (1) whenever such person shall directly or indirectly make such contracts with respect to any commodity, or any future of such commodity, during any one day in an amount equal to or in excess of such amount as shall be fixed from time to time by the Secretary of Agriculture; and (2) whenever such person shall directly or indirectly have or obtain a long or short position in any commodity or in any future of such commodity, equal to or in excess of such amount as shall be fixed from time to time by the Secretary of Agriculture. Such person shall also keep books and records of transactions coming within the provisions of (1) and (2) hereof, which books and records shall show complete details concerning all such transactions, including the names and addresses of all persons

having any interest therein, and shall be open at all times to inspection by any representative of the United States Department of Agriculture or the United States Department of Justice."

SEC. 6. Section 5 of the Grain Futures Act (U. S. C., 1934 ed., title 7, sec. 7) is amended by—

(a) striking out the word "purpose." at the end of paragraph (a) and inserting in lieu thereof the following: "purpose: *Provided*, That any board of trade not so located shall be designated as a 'contract market' if such board of trade provides for the delivery of commodities on such contracts at a delivery point or points and upon terms and conditions approved by the Secretary of Agriculture."; and

(b) striking out the word "or" after the word "prices" in paragraph (d) and inserting in lieu thereof the word "and".

SEC. 7. The Grain Futures Act is amended by adding after section 5 (U. S. C., 1934 ed., title 7, sec. 7) the following new sections:

"Sec. 5a. Each contract market shall—

"(1) promptly furnish the Secretary of Agriculture copies of all bylaws, rules, regulations, and resolutions made or issued by it or by the governing board thereof or any committee, and of all changes and proposed changes therein;

"(2) allow inspection at all times by any authorized representative of the United States Department of Agriculture or United States Department of Justice of the books, records, and all minutes and journals of proceedings of such contract market, its governing board and all committees, and of all subsidiaries and affiliates of such contract market, which books, records, minutes, and journals of proceedings shall be kept for a period of three years from the date thereof, or for a longer period if the Secretary of Agriculture shall so direct;

"(3) require the operators of warehouses in which or out of which any commodity is deliverable on any contract for future delivery made on or subject to the rules of such contract market, to make such reports, keep such records, and permit such warehouse visitation as the Secretary of Agriculture may prescribe. Such books and records shall be required to be kept for a period of three years from the date thereof, or for a longer period if the Secretary of Agriculture shall so direct, and such books, records, and warehouses shall be open at all times to inspection by any representative of the United States Department of Agriculture or United States Department of Justice;

"(4) when so directed by order of the Secretary of Agriculture, provide for a period, after trading in contracts of sale of any commodity for future delivery in a delivery month has ceased, during which contracts of sale of such commodity for future delivery in such month may be satisfied by the delivery of the actual cash commodity. Whenever, after due notice and opportunity for hearing, the Secretary of Agriculture finds that provision for such a period of delivery for any one or more commodities or markets would prevent or tend to prevent 'squeezes' and market congestion endangering price stability, he shall, by order, require such period of delivery (which shall be not less than three nor more than ten business days) applicable to such commodities and markets as he finds will prevent or tend to prevent such 'squeezes' and market congestion: *Provided, however*, That such order shall not apply to then existing contracts;

"(5) require the party making delivery of any commodity on any contract of sale of such commodity for future delivery to furnish the party obligated under the contract to accept delivery,

Official inspection.

Contract markets.  
Vol. 42, p. 1000; U. S. C., p. 110.

Designation of boards of trade as.  
*Proviso.*  
If board not located at a terminal market.

Preventing price manipulations and cornering of commodities.  
Contract market requirements.  
Vol. 42, p. 1001; U. S. C., p. 110.

Copies of bylaws, etc., and amendments to be furnished.

Federal inspection of board's books, records, etc.

Governing board and affiliates, etc.

Warehouse operators.  
Reports, records, etc.

Inspection.

Period after trading for delivery in a delivery month.

Secretary may order market to establish, to prevent "squeezes", etc.

*Proviso.*  
Existing contracts.

Written notice of delivery.  
Time, etc., requirements.

Extension, to prevent, etc., unfair practices.

*Proviso.*  
Existing contracts.

Grades to conform to United States standards.

United States Warehouse Act.  
U. S. C., p. 131.  
Acceptance of receipts under, in satisfaction of futures contracts.

*Proviso.*  
Kind, quality, and quantity.

Board of trade.  
"Contract market" designation, suspension or revocation for violation.

Vol. 42, p. 1002; U. S. C., p. 110.

Complaints against person violating provisions of Act, etc.

Notice of hearing.

Secretary of Agriculture or referee to conduct hearings.

Textual modifications.

written notice of the date of delivery at least one business day prior to such date of delivery. Whenever, after due notice and opportunity for hearing, the Secretary of Agriculture finds that the giving of longer notice of delivery is necessary to prevent or diminish unfair practices in trading in any one or more commodities or markets, he shall by order require such longer notice of delivery (which shall be not more than ten business days) applicable to such commodities and markets as he finds will prevent or diminish such unfair practices: *Provided, however,* That such order shall not apply to then existing contracts;

"(6) require that all contracts of sale of any commodity for future delivery on such contract market shall provide for the delivery thereunder of commodities of grades conforming to United States standards, if such standards shall have been officially promulgated; and

"(7) require that receipts issued under the United States Warehouse Act (U. S. C., 1934 ed., title 7, secs. 241-273) shall be accepted in satisfaction of any futures contract, made on or subject to the rules of such contract market, without discrimination and notwithstanding that the warehouseman issuing such receipts is not also licensed as a warehouseman under the laws of any State or enjoys other or different privileges than under State law: *Provided, however,* That such receipts shall be for the kind, quality, and quantity of commodity specified in such contract and that the warehouse in which the commodity is stored meets such reasonable requirements as may be imposed by such contract market on other warehouses as to location, accessibility, and suitability for warehousing and delivery purposes.

"SEC. 5b. The failure or refusal of any board of trade to comply with any of the provisions of this Act, or any of the rules and regulations of the Secretary of Agriculture thereunder, shall be cause for suspending for a period not to exceed six months or revoking the designation of such board of trade as a 'contract market' in accordance with the procedure and subject to the judicial review provided in paragraph (a) of section 6 of this Act."

SEC. 8. Section 6 of the Grain Futures Act (U. S. C., 1934 ed., title 7, secs. 8, 9, 10, and 15) is amended by—

(a) striking out the first sentence of paragraph (b) and inserting in lieu thereof the following: "If the Secretary of Agriculture has reason to believe that any person (other than a contract market) is violating or has violated any of the provisions of this Act, or any of the rules and regulations made pursuant to its requirements, or has manipulated or is attempting to manipulate the market price of any commodity, in interstate commerce, or for future delivery on or subject to the rules of any board of trade, he may serve upon such person a complaint stating his charges in that respect, to which complaint shall be attached or contained therein a notice of hearing, specifying a day and place not less than three days after the service thereof, requiring such person to show cause why an order should not be made directing that all contract markets until further notice of the Secretary of Agriculture refuse all trading privileges to such person, and to show cause why the registration of such person, if registered as futures commission merchant or as floor broker hereunder, should not be suspended or revoked.";

(b) striking out the words "said commission" after the words "before the" in the second sentence of paragraph (b) and inserting in lieu thereof "Secretary of Agriculture";

(c) striking out the word "who" in the second sentence of paragraph (b) and inserting in lieu thereof "which referee";

(d) striking out the words "as chairman of the said commission" in the second sentence of paragraph (b) after the words "to the Secretary of Agriculture";

(e) striking out the words and numerals "of section 12" after the word "penalties," in the third sentence of paragraph (b);

(f) inserting, after the word "amended" in the third sentence of paragraph (b) the following: "and supplemented (U. S. C., 1934 ed., title 49, secs. 12, 46, 47, and 48)";

U. S. C., pp. 2221, 2236.

(g) striking out the word "or" after the word "commission," in the third sentence of paragraph (b) and inserting in lieu thereof the word "and";

(h) striking out the fourth sentence of paragraph (b) and inserting in lieu thereof the following: "Upon evidence received, the Secretary of Agriculture may require all contract markets to refuse such person all trading privileges thereon for such period as may be specified in the order, and, if such person is registered as futures commission merchant or as floor broker hereunder, may suspend, for a period not to exceed six months, or revoke, the registration of such person.";

Refusal of contract market trading privileges to offenders; suspension or revocation of registration.

(i) striking out the word "commission" wherever it appears in the sixth, seventh, and eighth sentences of paragraph (b) and inserting in lieu thereof the words "Secretary of Agriculture";

Transfer of functions from commission to Secretary.

(j) striking out the words "its chairman or to any member thereof" after the word "to" in the seventh sentence of paragraph (b) and inserting in lieu thereof the word "him"; and

(k) striking out the word "Code" at the end of paragraph (b) and inserting the following: "Code, as amended".

SEC. 9. The Grain Futures Act is amended by adding after section 6 (U. S. C., 1934 ed., title 7, secs. 8, 9, 10, and 15) the following new sections:

Vol. 42, p. 1002; U. S. C., pp. 110, 111.

"SEC. 6a. (1) No board of trade which has been designated as a 'contract market' shall exclude from membership in, and all privileges on, such board of trade, any association or corporation engaged in cash commodity business having adequate financial responsibility which is organized under the cooperative laws of any State, or which has been recognized as a cooperative association of producers by the United States Government or by any agency thereof, if such association or corporation complies and agrees to comply with such terms and conditions as are or may be imposed lawfully upon other members of such board, and as are or may be imposed lawfully upon a cooperative association of producers engaged in cash commodity business, unless such board of trade is authorized by the commission to exclude such association or corporation from membership and privileges after hearing held upon at least three days' notice subsequent to the filing of complaint by the board of trade: *Provided, however,* That if any such association or corporation shall fail to meet its obligations with any established clearing house or clearing agency of any contract market, such association or corporation shall be ipso facto debarred from further trading on such contract market, except such trading as may be necessary to close open trades and to discharge existing contracts in accordance with the rules of such contract market applicable in such cases. Such commission may prescribe that such association or corporation shall have and retain membership and privileges, with or without imposing conditions, or it may permit such board of trade immediately to bar such association or corporation from membership and privileges. Any order of said commission entered hereunder shall be reviewable by the circuit court of appeals for the circuit in which such association or corporation,

Legitimate cooperative associations. Membership, etc., in board of trade "contract market."

Exclusion from membership, etc.

*Provided.* Failure to meet obligations a bar to trading.

Status of membership, etc.

Action subject to court review.

or such board of trade, has its principal place of business, on written petition either of such association or corporation, or of such board of trade, under the procedure provided in paragraph (a) of section 6 of this Act, but such order shall not be stayed by the court pending review.

Compensation on a commodity unit basis, etc.

"(2) No rule of any board of trade designated as a contract market shall forbid or be construed to forbid the payment of compensation on a commodity-unit basis, or otherwise, by any federated cooperative association to its regional member-associations for services rendered or to be rendered in connection with any organization work, educational activity, or procurement of patronage, provided no part of any such compensation is returned to patrons (whether members or nonmembers) of such cooperative association, or of its regional or local member-associations, otherwise than as a dividend on capital stock or as a patronage dividend out of the net earnings or surplus of such federated cooperative association.

No compensation returned to patrons, dividends excepted.

Board of trade, or its agent, etc.  
"Cease and desist" order for violating Act in lieu of revocation of designation permitted.

"SEC. 6b. If any board of trade, or any director, officer, agent, or employee of any board of trade is violating or has violated any of the provisions of this Act or any of the rules or regulations of the Secretary of Agriculture thereunder, or any order issued by the commission pursuant to any provision of this Act, the commission, in lieu of revoking the designation of such board of trade as a 'contract market' may, upon notice and hearing and subject to appeal as in other cases provided for in paragraph (a) of section 6 of this Act, make and enter an order directing that such board of trade, director, officer, agent, or employee shall cease and desist from such violation or violations, and if such board of trade, director, officer, agent, or employee, thereafter and after the lapse of the period allowed for appeal of such order or after the affirmation of such order, shall fail or refuse to obey or comply with such order, such board of trade, director, officer, agent, or employee shall be guilty of a misdemeanor and, upon conviction thereof, shall be fined not less than \$500 nor more than \$10,000 or imprisoned for not less than six months nor more than one year, or both. Each day during which such failure or refusal to obey such order continues shall be deemed a separate offense."

Order subject to appeal.  
Vol. 42, p. 1001.

Refusal to obey order, etc.; penalty.

Vol. 42, p. 1003.  
U. S. C., p. 111.

SEC. 10. The Grain Futures Act is amended by adding after section 8 (U. S. C., 1934 ed., title 7, sec. 12) the following new section:

Registrations.  
Futures commission merchants, etc.

"SEC. 8a. The Secretary of Agriculture is authorized—  
"(1) to register futures commission merchants and floor brokers upon application in accordance with rules and regulations and in form and manner to be prescribed by the Secretary of Agriculture; and

Refusal, where registration suspended, revoked, etc.

"(2) to refuse to register any person if such person has violated any of the provisions of this Act or any of the rules or regulations promulgated by the Secretary of Agriculture hereunder for which the registration of such person has been suspended (and the period of such suspension shall not have expired) or has been revoked; and

Transactions with person denied trading privileges.

"(3) to suspend or revoke the registration of any futures commission merchant who shall knowingly accept any order for the purchase or sale of any commodity for future delivery on or subject to the rules of any contract market from any person if such person has been denied trading privileges on any contract market by order of the Secretary of Agriculture under the provisions of paragraph (b) of section 6 of this Act and the period of denial specified in such order shall not have expired; and

Fees.

"(4) to fix and establish from time to time fees and charges for registrations and renewals thereof and for copies of registration

certificates, not to exceed \$10 for each such registration, renewal, or copy; and

"(5) to make and promulgate such rules and regulations as, in the judgment of the Secretary of Agriculture, are reasonably necessary to effectuate any of the provisions or to accomplish any of the purposes of this Act; and

"(6) to communicate to the proper committee or officer of any contract market and to publish, notwithstanding the provisions of section 8 of this Act, the full facts concerning any transaction or market operation, including the names of parties thereto, which in the judgment of the Secretary<sup>1</sup> of Agriculture disrupts or tends to disrupt any market or is otherwise harmful or against the best interests of producers and consumers."

SEC. 11. Section 9 of the Grain Futures Act (U. S. C., 1934 ed., title 7, sec. 13) is amended by:

(a) striking out the word "section" and the numeral "4" and inserting in lieu thereof the following: "section 4, section 4a, section 4b, section 4c, section 4d, section 4e, section 4h, or section 4i";

(b) inserting after the comma following the word "Act" the following: "or who shall manipulate or attempt to manipulate the price of any commodity in interstate commerce, or for future delivery on or subject to the rules of any board of trade, or who shall corner or attempt to corner any such commodity,";

(c) striking out the words "said section" after the words "mentioned in" and inserting in lieu thereof the words "section 4 of this Act"; and

(d) inserting after the word "deliver" the words "or cause to be delivered".

SEC. 12. If any provision of this Act which is amendatory of any section of the Grain Futures Act, or the application thereof to any person or circumstances is held invalid, the provisions of the section of the Grain Futures Act which is amended by such provision of this Act shall apply to such person or circumstances. No proceeding shall be abated by reason of any amendment to the Grain Futures Act made by this Act but shall be disposed of pursuant to this Act.

SEC. 13. All provisions of this Act authorizing the registration of futures commission merchants and floor brokers, the fixing of fees and charges therefor, the promulgation of rules, regulations, and orders, and the holding of hearings precedent to the promulgation of rules, regulations, and orders shall be effective immediately. All other provisions of this Act shall take effect ninety days after the enactment of this Act.

Approved, June 15, 1936.

[CHAPTER 546.]

AN ACT

To incorporate The National Yeomen F.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That Eva H. Clarke, Beatrice Brown Dwyer, and Mary J. O'Donnell, of Arizona;

Ruby Busse Anglim, Lottie Sessions Barrett, Philome Lucy Cavanaugh, Stella Austen Clark, Pearl Bonham Clerk, Lillian Koeber Deamer, Harriet Jane Dodson, Alma Simmermacher Dreyer, Stella Neumann Elberson, Ola Belle Emmner, Edna Crumpler Estes, Mirian Mathews Everett, Katherine Driscoll Fallon, Kathleen Vance Hatch,

<sup>1</sup> So in original.

Rules and regulations.

Publication of harmful transactions.

Vol. 42, p. 1003; U. S. C., p. 111.

Violations punishable by criminal penalties. Sections added.

Price manipulation, etc.

Textual changes.

Separability provisions.

Effective dates.

June 15, 1936.  
[S. 1687.]

[Public, No. 676.]

The National Yeomen F. Incorporators.