



PHILIP McBRIDE JOHNSON  
CHAIRMAN

COMMODITY FUTURES TRADING COMMISSION  
2033 K STREET, N.W., WASHINGTON, D.C. 20581  
(202) 254-6970

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DEPARTMENT OF LAW  
NEW YORK CITY OFFICE

August 4, 1981

Honorable Robert Abrams  
Attorney General of New York  
2 World Trade Center  
New York, New York 10047

Dear Mr. Abrams:

I am writing to enlist your support and assistance in this Commission's ongoing enforcement efforts to locate and close down business operations that defraud the public by promising great profits from investing in various "commodities." The problem has become a serious one, as inflation and other economic conditions increase the appeal of get-rich-quick schemes.

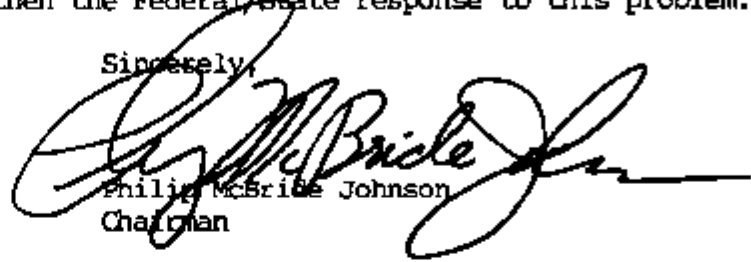
Typically, these fraudulent enterprises use the lure of certain glamorous or supposedly scarce commodities (e.g., gold, strategic metals, petroleum) to attract investors who, to their sorrow, later learn that their funds have been purloined rather than invested. Many of these operators set up shop in a particular city, sometimes in impressive quarters; arrange with the local telephone company for banks of phones with watts lines or comparably inexpensive service; hire local citizens to do "cold call" phone solicitations on a regional or national basis; and advertise extensively. They may make local banking arrangements as well. As a result, early detection can often depend upon local vigilance, long before the enterprise comes to this Commission's attention.

During recent months, several States have joined with this Commission in Federal civil actions to enjoin these fraudulent ventures under our enabling statute, the Commodity Exchange Act. The provision authorizing joint actions is Section 6d (7 U.S.C. §13a-2). These efforts have registered good success. Injunctions have been obtained, receivers have been appointed, and disgorgement has been ordered. Some have also led to criminal prosecutions.

In addition, local actions against these enterprises can be taken under a State's general criminal or civil anti-fraud statutes, without this Commission's participation. Since many of these frauds first become visible at the local level, use of State enforcement actions is a critical part of the nationwide effort that this Commission wishes to encourage.

To develop the most effective enforcement program against these "commodity" frauds, we urge you to consider joining this Commission in its Federal actions within your State and to initiate State proceedings as well. Our staff can share with you its experience and expertise in developing successful cases in this area. In addition, we would ask to be alerted whenever a suspected "commodity" fraud is detected at the State or local level. And finally, we would welcome any suggestions that you may have to strengthen the Federal/State response to this problem.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Philip McBride Johnson". The signature is written over the typed name and title.

Philip McBride Johnson  
Chairman