

October 6, 2011

CFTC Releases Annual Enforcement Results

CFTC Releases Statement on the Agency's Division of Enforcement; A record 99 Enforcement Actions, 74 Percent More Than Last Year

Washington, DC -- The Commodity Futures Trading Commission (CFTC) today announced that its Division of Enforcement filed 99 enforcement actions in Fiscal Year 2011 (FY 2011), the highest yearly tally in the agency's history and a 74 percent increase over the prior fiscal year. The CFTC charged individuals and companies in these cases for manipulating commodity prices, perpetrating Ponzi schemes and other fraud, supervision and accounting failures, trading abuses, registration deficiencies, and committing other violations of the Commodity Exchange Act and regulations. The Division of Enforcement also opened more than 450 investigations in FY 2011, another program high. These results are calculated based on the Federal Government's fiscal year that ended on September 30, 2011.

"As these figures reflect, the dedicated men and women of the CFTC's Division of Enforcement are working every day to rid the markets of fraud, manipulation and other abuses, and will continue to do so under our new Dodd-Frank authority," said David Meister, the Director of the Division of Enforcement.

In addition, during the same time period the Division obtained orders imposing over \$290 million in civil monetary penalties, and directing the payment of more than \$160 million in restitution and disgorgement, which more than doubled the prior fiscal year's imposition of such sanctions.

Meister also noted that in the year ahead the enforcement program will be guided by new and expanded enforcement authorities provided by the Dodd-Frank Act. These new authorities include the addition of fraud-based manipulation to the Commission's existing anti-manipulation authority, prohibitions targeting disruptive trading practices and other misconduct on registered entities, anti-fraud and anti-manipulation authority over swaps, clarified jurisdiction with respect to retail foreign currency transactions, and new authority over cash commodity transactions such as those involving precious metals.

Summary of FY 2011 CFTC Enforcement Actions:

Manipulation and Related Actions

The manipulation matters in FY 2011 included charges against Parnon Energy, Inc., Arcadia Petroleum Ltd., and Arcadia Energy (Suisse) SA for price manipulation in the crude oil market, currently pending in the United States District Court for the Southern District of New York; settlement of charges against Christopher L. Pia for attempted manipulation of the settlement prices of palladium and platinum futures contracts; settlement of charges against Ecoval Dairy Trade, Inc., for attempted manipulation of non-fat dry milk cash settled futures contracts; and settlement of charges against Bunge Global Markets, Inc., for false reporting and entering orders to purchase or sell in the pre-opening trading sessions on Globex that Bunge had no intention of executing.

Fighting Fraud and Other Regulatory Violations

The Division's mission to protect market participants from fraud is reflected by the 55 fraud actions filed in fiscal year 2011 alone, and by the numerous federal court orders obtained by the Division against more than 75 defendants, imposing civil monetary penalties and restitution and disgorgement obligations. In one notable fraud case, *CFTC vs Walsh, et al*, the Court ordered an initial distribution and return of approximately \$792 million to commodity pool investors stemming from an alleged

\$1.3 billion Ponzi scheme that was the subject of CFTC and Securities and Exchange Commission (SEC) charges in a prior fiscal year.

The Division also took action against so-called gatekeepers, charging an accounting firm and two of its partners in two separate cases, for failing to apply generally accepted auditing standards (GAAS) when conducting audits of futures commission merchants that had produced misstated financial statements. See *In the Matter of G. Victor Johnson II, McGladrey & Pullen, LLP and Altshuler, Melvoin & Glasser, LLP*, CFTC Docket No. 11-01 (October 4, 2010) and *In the Matter of David Shane and McGladrey & Pullen, LLP*, CFTC Docket No. 11-23 (September 22, 2011).

Foreign Exchange Currency (Forex) Enforcement

The Division of Enforcement filed 23 actions enforcing new regulations that resulted from the Dodd-Frank Act, and that require foreign exchange dealers and introducing brokers to register with the Commission. Separately, and as part of the Division's prosecution of retail forex fraud, the Division prevailed in a federal jury trial in the United States District Court for the Middle District of Florida, which imposed more than \$17 million in sanctions and other relief against Capital Blu Management, LLC and several other defendants.

Cooperating with Law Enforcement Partners

The Division of Enforcement continues to actively engage in cooperative enforcement with federal and state criminal and civil law enforcement authorities. During FY 2011, more than 70 indictments and convictions were obtained in criminal cases related to CFTC enforcement actions.

The Division also engages in cooperative enforcement with international authorities in a wide range of matters from retail fraud to market manipulation. Requests and referrals to and from foreign authorities continued to grow during FY 2011. The Division handled over 530 international requests and referrals, an approximate 20 percent increase over FY 2010.

Media Contact

Dennis Holden
202-418-5088

Last Updated: October 6, 2011