

November 14, 2017

CFTC Finds Statoil ASA Attempted to Manipulate the Argus Far East Index, a Propane Benchmark, to Benefit Statoil's NYMEX-cleared Swaps Position

Norwegian Energy Company Ordered to Pay a \$4 Million Civil Monetary Penalty

Washington, DC – The Commodity Futures Trading Commission (CFTC) today issued an Order filing and settling charges against **Statoil ASA** (Statoil), an international energy company headquartered in Stavanger, Norway. The CFTC Order finds that from as early as October 2011 through November 2011, Statoil attempted to manipulate the Argus Far East Index (FEI) in order to benefit Statoil's physical and financial positions, including Statoil's NYMEX-cleared over-the-counter swaps which settled to the Argus FEI. The Order requires Statoil to pay a \$4 million civil monetary penalty and orders Statoil to cease and desist from violating Section 9(a)(2) of the Commodity Exchange Act (CEA).

Argus FEI Index

According to the Order, the Argus FEI is an index of propane prices in the Far East region published by Argus, an independent organization that issues price assessments for global propane regions. In order to set the Argus FEI, Argus collects information from market participants during the Argus daily open window assessment period (the Argus window). The information collected includes, but is not limited to, information concerning market participants' bids, offers, and transactions in propane for the Far East. The Argus FEI is used for U.S. futures contract and swap pricing in the propane industry, and several futures contracts traded on U.S. commodity exchanges settle against the Argus FEI.

CFTC's Director of Enforcement Comments

James McDonald, the CFTC's Director of Enforcement stated: "Manipulation in our markets impedes free and fair competition and dampens economic growth. As this case shows, we will work tirelessly to root out manipulation in our markets wherever it occurs, to ensure participants in our markets have confidence they are competing on a level playing field."

Statoil's Losses

The Order finds that Statoil had sustained major losses in its gas liquids unit throughout 2011. After incurring those losses and in anticipation of seasonal market forces, Statoil established physical and financial positions, including NYMEX-cleared swaps (which, once cleared, converted to a futures position), that would benefit from a rising Argus FEI. According to the Order, however, the expected market conditions that could increase the Argus FEI did not materialize which created the risk of additional substantial losses for Statoil.

The Order finds that to avoid these losses and meet customer obligations, efforts were made by Statoil to prop up the Argus FEI by purchasing propane cargoes during the November Argus FEI propane price-setting window. By purchasing cargoes in the Argus window, Statoil was hoping to signal that demand was high and put "upwards pressure" on the November Argus FEI propane price. Statoil's intent to manipulate the Argus FEI was described repeatedly in contemporaneous communications. For example, in one communication, a Statoil trader wrote: "If we are buying 17 cargoes there are only a few days when we will not be able to have a good impact on the Argus quote. . . . We are actually likely to move it quite a bit up as we keep buying. . ."

According to the Order, these propane cargo purchases in the November Argus window were characterized by Statoil as "bullets" for achieving price movement in order to benefit its financial and physical propane positions in the Far East tied to the

Argus FEI, which included its NYMEX-cleared swaps: “When these purchases are taking place during a limited time the prices [sic] is expected to rise causing the paper position bought [which settled to the Argus FEI] to increase in value.” However, Statoil’s plan to profit by creating an artificial settlement price for Statoil’s financial and physical propane positions did not materialize as hoped. As one Statoil trader noted, Statoil’s purchases of propane cargoes in the Argus window “[have] not been enough to keep the [price] up.”

The Order finds that Statoil specifically intended to manipulate the Argus FEI in order to benefit, among other things, Statoil’s NYMEX-cleared over-the-counter swaps that were directly priced to the Argus FEI. The Order further finds that in furtherance of that intent, Statoil, among other things, planned and executed physical propane purchases in the Far East market during the November Argus window, in order to place upwards pressure on the November Argus FEI and, consequently, the value of its NYMEX-cleared swaps.

The CFTC thanks the U.K. Financial Conduct Authority for its assistance in this matter.

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