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FACT SHEET: COMMODITIES FRAUD AND MANIPULATION

Cooperative Enforcement Efforts Yield More Than \$2 Billion in Fines and Restitution

WASHINGTON – As members of the President’s Corporate Fraud Task Force, the Department of Justice, the Federal Bureau of Investigation, and the U.S. Commodity Futures Trading Commission have worked together to eradicate commodities fraud and manipulation from the markets. The Justice Department’s Criminal Division, U.S. Attorney’s Offices nationwide, the FBI and CFTC have been responsible for at least 165 criminal indictments and the filing of more than 275 civil enforcement actions. As a result of these criminal and civil proceedings, fines and restitution orders totaling \$2,357,472,854 have been levied and prison terms ranging from five years to 21 years have been imposed.

The Corporate Fraud Task Force has devoted considerable efforts to address manipulation of the energy markets, foreign currency fraud, and commodity pool/ hedge fund fraud. The Task force is focused on protecting the public and the markets against illegal commodity operations and will aggressively continue to seek to halt commodities scams. As today’s announcement regarding BP shows, civil and criminal agencies achieve powerful results when they work together to protect the investing public by targeting financial wrongdoing.

Craig S. Morford, Acting Deputy Attorney General and Chair of the Task Force, stated: “The Task Force has achieved a strong record in prosecuting abuses of the commodities laws. I am very proud of the accomplishments of the Task Force in this area, especially the efforts by the FBI and the CFTC. The Task Force continues to be committed to the operation of free and financially efficient commodity markets.”

CFTC Director of Enforcement Greg Mocek stated: “The CFTC’s enforcement program focuses on the vigorous prosecution of commodities fraud perpetrated on unsuspecting Americans and the preservation of the integrity of the commodities markets. We congratulate the U.S. Attorney’s Offices, the Criminal Division and the FBI for their work in combating criminal violations of the commodities laws and will continue to work closely with members of the Task Force to eliminate unscrupulous activity and protect market participants.”

FBI Director Robert S. Mueller, III, praised the work of the Task Force, stating: “The FBI remains committed to supporting the highly successful efforts of the Task Force in combating fraud in the commodity markets. The accumulated accomplishments of the Task

Force announced today continue to demonstrate that together, the Task Force truly is greater than the sum of its parts.”

Manipulation of the Energy Markets

The Corporate Fraud Task Force has actively investigated instances of manipulation and attempted manipulation in the energy markets by numerous energy companies, including Enron and its affiliates, BP, and American Electric Power. The Task Force energy actions have resulted in monetary penalties totaling approximately \$430 million against 25 companies and criminal indictments against 42 individuals and companies.

Foreign Currency Fraud

The Corporate Fraud Task Force has devoted considerable resources to combating fraud in the foreign currency market, the largest financial market in the world. The Task Force has filed almost 100 civil injunctive actions and at least 90 criminal indictments against individuals and firms for fraudulent activities in connection with foreign currency trading. These proceedings have resulted in fines and restitution orders of more than \$1.5 billion.

Commodity Pool/Hedge Fund Fraud

The Task Force has filed more than 60 civil enforcement actions and at least 33 criminal indictments against individuals and firms that fraudulently operated multi-million dollar commodity pools and hedge funds. These actions have resulted in numerous criminal convictions and fines and restitution totaling almost \$400 million.

Significant Prosecutions

The following cases highlight just a sample of the aggressive criminal and civil prosecutorial efforts by the Task Force in preserving the integrity of the commodity markets.

Operation Wooden Nickel: Operation Wooden Nickel was the largest undercover foreign currency operation involving the cooperative enforcement efforts of the Task Force. As a result of these efforts, the Task Force was able to convict 56 individuals and was successful in obtaining fines and restitution totaling more than \$100 million.

AEP: AEP Energy Services, Inc. (AEPES), a wholly owned subsidiary of American Electric Power, Inc. (AEP), one of the nation’s largest electric utilities, entered into a deferred prosecution agreement in which it admitted that its traders manipulated the natural gas market by knowingly submitting false trading reports to market indices. AEPES agreed to pay a \$30 million criminal penalty. In a separate action, AEP agreed to pay the CFTC \$30 million to settle charges of false reporting and attempted manipulation.

Bayou: Three principals of Bayou Hedge Funds pleaded guilty to fraud and conspiracy charges based on their substantial and prolonged misrepresentation of the value of the assets of the funds, to which investors had entrusted over \$450 million. Forfeitures netted \$106 million for distribution to victims. Fines and restitution are pending in a CFTC action.

Mission LC: William Warren, the principal of Mission, pled guilty to fraudulently operating an unregistered commodity pool and misappropriating customer funds. Warren was sentenced to 21 years in prison and ordered to make restitution of \$20 million.

Dynegy: Three former executives of energy firm Dynegy were convicted of charges stemming from an accounting scheme in which they misrepresented the proceeds of \$300 million in loans as revenue from operations rather than debt. Dynegy agreed to pay the CFTC \$5 million to settle charges of false reporting and attempted market manipulation.

El Paso Merchant Energy: El Paso Corporation and six traders of its Merchant Energy subsidiary were convicted on charges relating to false reporting of natural gas trading information. El Paso Merchant Energy agreed to pay \$20 million to the CFTC to settle charges of false reporting and attempted market manipulation.

Midland Euro: Two principals of Midland, a foreign currency firm, were charged with defrauding almost 300 investors with losses of approximately \$100 million. They received prison sentences of 11.4 years and 20 years, and were ordered to pay over \$95 million in restitution.

Reliant Energy: Reliant entered into a deferred prosecution agreement and agreed to pay a \$36 million criminal penalty. Reliant also agreed to pay \$18 million to settle CFTC charges of attempted market manipulation and false reporting. Reliant's vice president and manager of trading of natural gas was convicted of making false trade reports and is serving 57 months in federal prison.

Orion International: Civil fines and restitution orders totaling \$150 million were issued against Orion and its principals for operating a fraudulent foreign currency Ponzi scam involving over \$40 million in investor funds. Orion's principal was convicted of mail and wire fraud and is serving 97 months in prison.

Parish Economics: Parish and its principal were charged by the CFTC for operating a commodity pool/hedge fund in which over \$50 million was fraudulently obtained from the investing public. Parish's principal, Albert Parish, was indicted for his role in the fraudulent enterprise. Civil and criminal trials are scheduled for early 2008.

Williams Power Companies: Williams entered into a deferred prosecution agreement in which it admitted that its traders manipulated the natural gas market by knowingly submitting false trading reports to market indices. Williams agreed to pay a \$50 million criminal penalty and, in a separate action, agreed to pay the CFTC \$20 million to settle charges of false reporting and attempted manipulation. Three traders pled guilty to commodities fraud and a fourth is awaiting trial.

Brown Investment Services: James Brown, the principal of Brown Investment Services, pled guilty to defrauding 350 investors in connection with a foreign currency operation. Brown was sentenced to 12 years in prison and ordered to pay \$8.3 million in restitution.

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