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## **CFTC's Chilton seeks criminal authority to fight market fraud**

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Commodity Futures Trading Commissioner (CFTC) Bart Chilton said Friday that “Only one-third of the cases where people should be in jail are being prosecuted” for futures market fraud. He explained that under current law, only the Justice Department has legal authority to prosecute criminal violations of the Commodity Exchange Act (CEA). He called for legislation to give the CFTC criminal prosecution authority. He said the Justice Department lacks the expertise and manpower to tackle the growing backlog of criminal cases referred to it by the CFTC – and that the flood of fraud cases is increasing.

Chilton is pleased that both the House and Senate are considering legislation to provide the CFTC with additional funding and manpower. But he insists the CFTC also needs legislation giving it “authority to put financial felons in jail.” He says this authority would have significant deterrent effect. He argues that “bad actors” dismiss the civil actions and fines that the CFTC can impose under current law as simply “a cost of doing business.”

Speaking with reporters at USDA’s annual Outlook conference, Chilton said the Department of Justice (DOJ) has initiated criminal action in only 65 of the 173 cases referred to it by the CFTC over the past five years. He said the result is that all 65 of the 65 prosecutions were successful but that due to no prosecution in the other 108 cases, “There are people on the street today that should be in jail.” He added that “While DOJ attorneys do an excellent job in their prosecutorial functions, it is simply asking too much to expect them to be expert in the types of complexities that our enforcement attorneys deal with on a daily basis. Because of the complexity of cases under the CEA, DOJ prosecutors have been reluctant to take on these matters or have required that CFTC staff be assigned to assist DOJ prosecutors.”

Chilton said that due to typical nine to twelve month delays in DOJ consideration of cases referred to it by the CFTC, by the time DOJ decides to act often “the money is gone, it is dissipated and there is no money to get for restitution in these fraud schemes.”

Chilton warned that “We are going to have more and more of these things. As the economy continues to be bad, there is a Ponzi-palooza out there. We are getting tips on Ponzi schemes every day. . . So this criminal authority is getting more and more important.”

In one of many recent examples of the problem, this week the CFTC announced that it has charged Daren L. Palmer of Idaho Falls, Idaho, with operating a Ponzi scheme involving approximately \$40 million in connection with the unregistered Trigon Group, Inc. commodity futures pool. The CFTC's complaint, filed Feb. 26 charges Palmer with solicitation fraud and misappropriation of pool funds for personal use and for use in running a Ponzi scheme. In addition, Palmer is charged with sending customers false account statements and failing to register with the CFTC as a commodity pool operator.

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