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Regulators Say Company Manipulated Oil Market

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Commodity regulators in Washington on Thursday accused a Dutch trading company of manipulating the prices of crude oil, heating oil and gasoline over an 11-day period last year.

The scheme, which the defendants referred to in conversations caught on tape as a plan to "bully the market," produced illegal profits of more than $1 million, according to regulators. On at least five occasions, global benchmark prices of those products settled at artificial levels, they said.

Though the price movements were small and the scheme was detected within days, the case is still likely to resonate in Washington. The Senate has been debating proposals to tackle high oil prices by curbing market speculation — and lawmakers, at more than 40 hearings this year, have repeatedly demanded tougher enforcement by market regulators.

Unlike many manipulation cases, which typically involve obscure commodities in less-liquid markets, this complaint accuses the defendants of affecting, however briefly, the final prices in important energy markets that are generally considered too big to manipulate.

The complaint, which must be proved in court, is the first fruit of a continuing investigation into possible oil-market manipulation that was announced two months ago by the Commodity Futures Trading Commission, which oversees the exchanges that help determine global prices for a host of commodities, from crude oil to orange juice.

"These charges go to the heart of the C.F.T.C.'s core mission of detecting and rooting out illegal manipulation of the markets," said Walter L. Lukken, acting chairman of the commission.

The complaint, filed as a civil lawsuit in Federal District Court in Manhattan, named Optiver Holding, a proprietary trading fund in Amsterdam; two affiliates, Optiver US in Chicago and Optiver VOF in Amsterdam; and three senior company officers, including the chief executive of the Chicago affiliate, Bastiaan van Kempen.

The complaint also charged two of the executives with covering up the scheme by lying to the compliance staff at the New York Mercantile Exchange, known as the Nymex, where the trading occurred in March 2007.

Optiver released a statement Thursday night saying it needed to review the allegations with its lawyers, Schiff Hardin in Chicago, before commenting. "We believe that we have run our business by doing not only what is best for the bottom line, but what is right," the statement said. "We will continue to do so."

Documents released on Thursday show that Nymex's market watchdogs quickly detected and halted the manipulative activity that regulators attributed to Optiver. Mr. Lukken said commodity regulators had worked with exchange officials to "stop the scheme in its tracks," though the follow-up investigation into Optiver's trading took longer.

Regulators accused the Optiver defendants of making 19 separate attempts at market manipulation in March 2007. Those attempts involved three popular Nymex products: futures contracts for the benchmark variety of crude oil known as West Texas Intermediate; for heating oil delivered in New York Harbor; and for gasoline, also for New York delivery.

According to the complaint, two Optiver traders discussed extending their scheme to a type of oil traded in London on a market owned by the IntercontinentalExchange, of Atlanta. But the complaint contained no allegations that the traders actually tried to manipulate that oil contract.

The Nymex scheme involved making a huge number of trades at or near the end of the trading day — a practice known as "banging the close" — to move final prices in directions that would benefit Optiver, according to the complaint.

Of the five attempts that regulators said were successful, three slightly pushed down the final prices of all three commodities, while two resulted in slightly higher prices for gasoline and West Texas Intermediate.

Regulators sometimes have difficulty demonstrating an illegal intent behind trades. In this case, regulators said, the Optiver traders were caught by their own words — extensive e-mail messages and recorded telephone calls made during the period scrutinized by regulators.

Those recordings, made by Optiver itself in the course of its business, show two defendants — Christian Dowson, Optiver's head trader in Chicago, and Randal Meijer, his counterpart in Amsterdam — discussing what they planned to say if questioned.

According to the complaint, they agreed that they would claim to have been trying to buy low and sell high, although Mr. Dowson acknowledged in a recorded call that this explanation was "a fairy story."