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CFTC Imposes $3 Million Penalty against Olam International, Ltd. and Olam Americas, Inc. for Violating Cocoa Position Limits and Unlawfully Executing Noncompetitive Trades

Olam International and Olam Americas failed to disclose to the CFTC that their cocoa futures trading was not independently controlled

Washington, DC – The U.S. Commodity Futures Trading Commission (CFTC) today issued an order filing and simultaneously settling charges against Singapore-based **Olam International, Ltd.** (Olam International), which operates a futures trading desk in London, England, and its subsidiary, **Olam Americas, Inc.** (Olam Americas), which is based in Summit, New Jersey and operates a futures trading desk there. Both companies purchase, sell, and trade cocoa and other agricultural products. The CFTC Order requires Olam International and Olam Americas to pay a $3 million civil monetary penalty and prohibits them from committing future violations of the Commodity Exchange Act (CEA) and CFTC Regulations, as charged.

The CFTC Order finds that between February 2011 and January 2013, the cocoa futures positions of Olam International and Olam Americas were not independently controlled. Cocoa futures traders on both desks had access to each other’s position information and regularly discussed the cocoa markets; Olam Americas cocoa traders placed orders to buy and sell cocoa futures for Olam International’s account; and an Olam Americas’ cocoa trader supervised certain of Olam International’s cocoa futures trading activities between January 2012 and May 2012, according to the CFTC Order. The CFTC Order finds the accounts, therefore, should have been aggregated for purposes of complying with the applicable position limits and that, when aggregated, the cocoa futures positions of Olam International and Olam Americas exceeded the 1,000-contract spot month position limit for cocoa futures contracts traded on ICE Futures U.S. Inc. (IFUS) on six trading days between February 2011 and January 2013, in violation of the CEA.

The CFTC Order also finds that Olam International and Olam Americas impermissibly entered into exchange of futures for physical transactions (EFPs) opposite each other’s cocoa futures trading accounts. According to the CFTC Order, EFPs are noncompetitive transactions that are permitted only if conducted in compliance with exchange rules approved by the CFTC. According to the CFTC Order, although IFUS rules approved by the CFTC between February 2011 and January 2013 allowed EFPs, those rules required that the EFPs be transacted only between independently controlled accounts. Because Olam International’s and Olam Americas’ cocoa futures trading accounts were not independently controlled, the CFTC Order finds that the 64 EFPs they conducted opposite each other violated the CEA and CFTC Regulations.

Additionally, the CFTC Order finds that Olam International filed a “Statement of Reporting Trader” (Form 40) with the CFTC in 2010 and 2012, and Olam Americas filed a Form 40 with the CFTC in 2012, that failed to disclose that their cocoa futures trading accounts were not independently controlled, in violation of the CEA and CFTC Regulations. According to the CFTC Order, on February 25, 2013, Olam International and Olam Americas filed a revised Form 40 disclosing to the CFTC that they were trading cocoa futures as a single global unit. But after they began aggregating their cocoa futures positions, the CFTC Order finds that Olam International and Olam Americas exceeded the 1,000-contract spot month position limit for cocoa futures contracts traded on IFUS on yet another trading day in August 2014, in violation of the CEA.

The CFTC Division of Enforcement staff members responsible for this action are Stephanie Reinhart, David Chu, Judith McCorkle, Tom Nolan, Elizabeth Streit, Scott Williamson, and Rosemary Hollinger. Kelly Beck, Harold Hild, Matthew Hunter, and Vincent Varisano of the CFTC’s Division of Market Oversight also assisted in this matter.

Media Contact
Dennis Holden
202-418-5088

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