

Amaranth Market Manipulation Case

CASE STUDY

Client SUMMARY

FEDERAL ENERGY
REGULATORY COMMISSION

Dr. Kathleen King provided expert testimony before the Honorable Carmen Cintron, Administrative Law Judge (ALJ) of the Federal Energy Regulatory Commission (FERC), on August 31 and September 1, 2009 in the Amaranth Advisors market manipulation case. Dr. King served as a rebuttal witness for FERC's Office of Enforcement. Bates White also provided support to FERC expert witness Dr. Vincent Kaminski.

Industry

NATURAL GAS

Areas of expertise

ENERGY MARKETS
MARKET MANIPULATION
ECONOMETRICS
EXPERT TESTIMONY

BACKGROUND

FERC's Office of Enforcement filed a show cause order in 2007 alleging that Amaranth and head trader Mr. Brian Hunter manipulated NYMEX natural gas futures prices downward and profited because Amaranth held offsetting swap positions. The Commodity Futures Trading Commission (CFTC) pursued a companion case against Amaranth and Mr. Hunter.

ANALYSIS

Dr. King's testimony examined NYMEX prices on the at-issue days and found, contrary to the report of Mr. Hunter's expert, that price movements were consistent with the manipulative scheme alleged by FERC. Mr. Hunter's expert claimed that no "price reversal" occurred, but Dr. King found statistically significant evidence that prices were driven downward and subsequently recovered, consistent with the alleged manipulation. Dr. King also examined Amaranth's trading behavior during the at-issue time periods and found that it was unusual when compared with the behavior of other market participants and Amaranth's own historical behavior. In addition, Dr. King examined news events and fundamental supply and demand factors before and during the alleged periods of manipulation and found no evidence that news or market fundamentals caused the at-issue price movements.

Contact us

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OUTCOME

Nine of the ten Amaranth defendants agreed to pay \$7.5 million pursuant to an uncontested joint settlement after Dr. King, Dr. Kaminski, and another FERC expert, Dr. Spurgin, filed their rebuttal reports on July 14. The case then proceeded against the sole remaining defendant, Mr. Hunter. Both the ALJ and the Commission decided in favor of FERC Enforcement Staff. The case is currently on appeal.