

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

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Office of
Public Affairs

In the Matter of:)
)
)
 Weidong Ge and Sheenson)
 Investments Ltd.,)
)
 Respondents.)

CFTC Docket No. 12- 35

**ORDER INSTITUTING PROCEEDINGS PURSUANT TO
SECTIONS 6(c) AND 6(d) OF THE COMMODITY EXCHANGE ACT, AS AMENDED,
MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS**

I.

The Commodity Futures Trading Commission (“Commission”) has reason to believe that on or about February 26, 2009 and March 10, 2009, between January 6, 2011 and February 11, 2011, and on or about July 18, 2011 (collectively, the “relevant periods”), Weidong Ge (“Ge”) and/or Sheenson Investments Ltd. (“Sheenson”) (collectively, “Respondents”) violated Section 4a(b)(2) of the Commodity Exchange Act (“Act”), 7 U.S.C. § 6a(b)(2) (2006), and Commission Regulation (“Regulation”) 150.2, 17 C.F.R. § 150.2 (2011). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondents engaged in the violations set forth herein and to determine whether any order should be issued imposing remedial sanctions.

II.

In anticipation of the institution of an administrative proceeding, Respondents have submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Without admitting or denying any of the findings or conclusions herein, Respondents consent to the entry of this Order Instituting Proceedings Pursuant to Sections 6(c) and 6(d) of the Commodity Exchange Act, as Amended, Making Findings and Imposing Remedial Sanctions (“Order”) and acknowledge service of this Order.¹

¹ Respondents consent to the entry of this Order and to the use of these findings in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party; provided, however, that Respondents do not consent to the use of the Offer, or the findings or conclusions in this Order consented to in the Offer, as the sole basis for any other proceeding brought by the Commission, other than in a proceeding in bankruptcy or to enforce the terms of this Order. Nor do Respondents consent to the use of the Offer or this Order, or the

III.

The Commission finds the following:

A. SUMMARY

On February 26, 2009, Sheenson exceeded the all months combined speculative limit of 6,500 contracts in Soybean Oil by 350 contracts, and on March 10, 2009, Sheenson exceeded the Soybean Oil limit by 88 contracts. Thereafter, from January 6, 2011 through February 11, 2011, Ge exceeded the single month limit of 3,500 contracts in Cotton No. 2 by as much as 599 contracts and the all months limit of 5,000 contracts in Cotton No. 2 by as much as 389 contracts. On July 18, 2011, Ge exceeded the single month limit in Cotton No. 2 by 143 contracts.

B. RESPONDENTS

Weidong Ge is an individual who resides in Shanghai, China. Ge graduated from Sichuan University with a Bachelor's Degree in Economics. After graduation, Ge worked as a trader at COFCO, China's large food products conglomerate and trader. He has thirteen years of trading experience in metals, foreign currency, tradable shares and agricultural commodities. Ge founded, and is the controlling direct or indirect shareholder and CEO of, Sheenson Investments Ltd. ("Sheenson"), Chaos Investment Co. Ltd. (British Virgin Islands) ("Chaos BVI") and Chaos Investment Ltd. (Hong Kong) ("Chaos HK"). Ge has never been registered with the Commission.

Sheenson is a Chinese corporation whose principal place of business is Zhuyuan Greenbelt, 407 Pudian Road, Pudong, Shanghai, China 200135. Sheenson has never been registered with the Commission.

C. FACTS

Trading of the Soybean Oil and Cotton No. 2 futures contracts is subject to the speculative position limits set by the Commission in Regulation 150.2, 17 C.F.R. § 150.2 (2011), pursuant to Section 4a of the Act, 7 U.S.C. § 6a (2006). Pursuant to this Regulation, no trader may hold or control net futures positions in excess of 6,500 contracts in all months in Soybean Oil. Cotton No. 2 is subject to an all months limit of 5,000 contracts and a single month limit of 3,500 contracts. During the relevant periods, Ge had more than a 10% ownership interest in Sheenson, Chaos BVI and Chaos HK ("the Companies").

On February 26, 2009, Sheenson exceeded the all months combined speculative limit of 6,500 contracts in Soybean Oil by 350 contracts. On March 10, 2009, Sheenson again exceeded the Soybean Oil all months combined speculative limit by 88 contracts. During these time periods, Ge was a principal and controlling person of Sheenson.

findings or conclusions in this Order consented to in the Offer, by any other party in any other proceeding.

Every day, from January 6, 2011 through February 11, 2011, the combined net positions of the Companies were over the single month and all months position limits in Cotton No. 2. During this period, the Companies exceeded the single month limit by as much as 599 contracts and the all months limit by as much as 389 contracts. On Monday, February 14, 2011, after the Commission's Division of Market Oversight ("DMO") informed a manager of two of the Companies that the combined positions were over the limit, the positions were reduced to below the applicable limits. On July 18, 2011, the combined net positions of the Companies again exceeded the single month limit in Cotton No. 2 by 143 contracts. After being informed by DMO that the combined positions were over the limit again, the positions were reduced to below the applicable limits on July 19, 2011. During these periods, Ge was a principal of the Companies.

After being contacted by the Division of Enforcement, Respondents cooperated fully in the Division's investigation.

IV.

LEGAL DISCUSSION

Pursuant to Section 4a(b)(2) of the Act, 7 U.S.C. § 6a(b)(2) (2006), and Regulation 150.2, 17 C.F.R. § 150.2 (2011), no trader may hold or control net futures positions in excess of 6,500 for all months combined in the Soybean Oil contract, and no trader may hold or control net futures positions in excess of 3,500 for any single month or 5,000 for all months combined in the Cotton No. 2 contract. The Commission does not need to establish scienter – *i.e.*, intent to exceed position limits – in order to prove a violation of speculative position limits. *CFTC v. Hunt*, 591 F.2d 1211, 1218 (7th Cir. 1979); *Saberi v. CFTC*, 488 F.3d 1207, 1212 (9th Cir. 2007). The Act "unambiguously imposes liability" for violations of position limits. *Saberi*, 488 F.3d at 1212 (rejecting trader's contention that the Division was required to prove that he intended to violate the speculative position limits in frozen pork bellies futures set forth in CME Rule 8032.E) (*citing Hunt*, 591 F.2d at 1218.).

Sheenson exceeded the all months combined speculative limit of 6,500 contracts in Soybean Oil on February 26, 2009 by 350 contracts, and again on March 10, 2009 by 88 contracts. Accordingly, Sheenson violated the Soybean Oil limits on those days. As a controlling person of Sheenson, Ge is liable for Sheenson's speculative limit violations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b) (2006).

From January 6, 2011 through February 11, 2011, the combined net positions of Sheenson, Chaos BVI and Chaos HK were over the single month and all months position limits in Cotton No. 2. During this period, the Companies together exceeded the single month limit by as much as 599 contracts and the all months limit by as much as 389 contracts. On July 18, 2011, the combined net positions of the Companies once again exceeded the single month limit in Cotton No. 2 by 143 contracts. Because Ge is a controlling shareholder of and had more than a 10% ownership interest in each of the Companies, the Companies' positions are aggregated pursuant to Regulation 150.4, 17 C.F.R. § 150.4 (2011), for purposes of the position limits set forth in Regulation 150.2, 17 C.F.R. § 150.2 (2011). Accordingly, Ge exceeded the Cotton No. 2 limits from January 6, 2011 through February 11, 2011, and again on July 18, 2011.

V.

FINDINGS OF VIOLATION

Based on the foregoing, the Commission finds that, during the relevant periods, Sheenson and Ge violated Section 4a(b)(2) of the Act, 7 U.S.C. § 6a(b)(2) (2006), and Regulation 150.2, 17 C.F.R. § 150.2 (2011).

VI.

OFFER OF SETTLEMENT

Respondents have submitted the Offer in which they, without admitting or denying the findings and conclusions herein:

- A. Acknowledge receipt of service of this Order;
- B. Admit the jurisdiction of the Commission with respect to all matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on violation of or enforcement of this Order;
- C. Waive:
 - 1. the filing and service of a complaint and notice of hearing;
 - 2. a hearing;
 - 3. all post-hearing procedures;
 - 4. judicial review by any court;
 - 5. any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offer;
 - 6. any and all claims that they may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2006) and 28 U.S.C. § 2412 (2006), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Commission's Regulations, 17 C.F.R. §§ 148.1-30 (2012), relating to, or arising from, this proceeding;
 - 7. any and all claims that they may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, §§ 201-253, 110 Stat. 847, 857-868 (1996), as amended by Pub. L. No. 110-28, § 8302, 121 Stat. 112, 204-205 (2007), relating to, or arising from, this proceeding; and
 - 8. any claims of Double Jeopardy based on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief;

- D. Stipulate that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondents have consented in the Offer;
- E. Consent, solely on the basis of the Offer, to the Commission's entry of this Order that:
1. makes findings by the Commission that Respondents violated Section 4a(b)(2) of the Act, 7 U.S.C. § 6a(b)(2) (2006), and Regulation 150.2, 17 C.F.R. § 150.2 (2011);
 2. orders Respondents to cease and desist from violating Section 4a(b)(2) of the Act, as amended, to be codified at 7 U.S.C. § 6a(b)(2), and Regulation 150.2, 17 C.F.R. § 150.2 (2012);
 3. orders Respondents, jointly and severally, to pay a civil monetary penalty in the amount of \$500,000 plus post-judgment interest;
 4. orders Respondents, jointly and severally, to pay disgorgement in the amount of \$1,000,000; and
 5. orders Respondents to comply with the conditions and undertakings consented to in the Offer and as set forth in Part VII of this Order.

Upon consideration, the Commission has determined to accept the Offer.

VII.

ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

- A. Respondents shall cease and desist from violating Section 4a(b)(2) of the Act, as amended, to be codified at 7 U.S.C. § 6a(b)(2), and Regulation 150.2, 17 C.F.R. § 150.2 (2012);
- B. Respondents shall pay a civil monetary penalty, jointly and severally, in the amount of five-hundred thousand dollars (\$500,000) within ten (10) days of the date of entry of this Order (the "CMP Obligation"). If the CMP Obligation is not paid in full within ten (10) days of the date of entry of this Order, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of the Order pursuant to 28 U.S.C. § 1961 (2006).
- C. Respondents shall pay the CMP Obligation by electronic funds transfer, U.S. postal money order, certified check, bank cashier's check, or bank money order. If payment is to be made other than by electronic funds transfer, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

Commodity Futures Trading Commission

Division of Enforcement
ATTN: Accounts Receivables --- AMZ 340
E-mail Box: 9-AMC-AMZ-AR-CFTC
DOT/FAA/MMAC
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169
Telephone: (405) 954-5644

If payment is to be made by electronic funds transfer, Respondents shall contact Linda Zurhorst or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Respondents shall accompany payment of the CMP Obligation with a cover letter that identifies the paying Respondent and the name and docket number of this proceeding. Respondents shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

D. Respondents shall comply with the following conditions and undertakings set forth in the Offer:

1. **Public Statements:** Respondents agree that neither they nor any of their agents or employees under their authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect Respondents': (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Respondents shall undertake all steps necessary to ensure that all of their agents and/or employees under their authority or control understand and comply with this agreement.
2. **Disgorgement:** Respondents agree to pay disgorgement, jointly and severally, in the amount of one million dollars (\$1,000,000), within ten (10) days of the date of entry of this Order ("Disgorgement Obligation").

Respondents shall pay the Disgorgement Obligation by electronic funds transfer, U.S. postal money order, certified check, bank cashier's check, or bank money order. If payment is to be made other than by electronic funds transfer, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

Commodity Futures Trading Commission
Division of Enforcement
ATTN: Accounts Receivables --- AMZ 340
E-mail Box: 9-AMC-AMZ-AR-CFTC
DOT/FAA/MMAC
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169

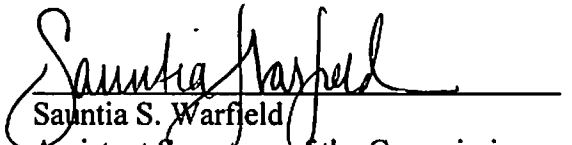
Telephone: (405) 954-5644

If payment is to be made by electronic funds transfer, Respondents shall contact Linda Zurhorst or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Respondents shall accompany payment of the Disgorgement Obligation with a cover letter that identifies the paying Respondent and the name and docket number of this proceeding. The Respondents shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

3. **Partial Satisfaction:** Respondents understand and agree that any acceptance by the Commission of partial payment of Respondents' Disgorgement Obligation or CMP Obligation shall not be deemed a waiver of their obligation to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.
4. **Change of Address/Phone:** Until such time as Respondents satisfy in full their Disgorgement Obligation and CMP Obligation as set forth in this Order, Respondents shall provide written notice to the Commission by certified mail of any change to their telephone number and mailing address within ten (10) calendar days of the change.
5. **Change of Procedures:** Respondents agree to implement such procedures as are necessary to prevent any further speculative position limits violations by them and/or companies in which either of them is a controlling shareholder.

The provisions of this Order shall be effective as of this date.

By the Commission.


Santia S. Warfield
Assistant Secretary of the Commission
Commodity Futures Trading Commission

Dated: September 25, 2012