




Office of the Attorney General
Washington, D. C. 20530

April 21, 2011

MEMORANDUM TO THE FINANCIAL FRAUD ENFORCEMENT TASK FORCE

FROM:  THE ATTORNEY GENERAL
Chair, Financial Fraud Enforcement Task Force

SUBJECT: Oil and Gasoline Price Fraud

Rapidly rising gasoline prices are a serious concern for American consumers. On March 11, 2011, President Obama asked me to work with other federal agencies and our state attorneys general to monitor markets for oil and gas for potential violations of criminal or civil laws that would harm hard-working American families and businesses at the pump. In response, the Department of Justice (Department or DOJ) and our partners at the National Association of Attorneys General (NAAG) have taken a series of steps. I would like to report to our fellow members of the Financial Fraud Enforcement Task Force (Task Force) regarding those efforts to date. I am also requesting your assistance, to join our efforts to monitor and to uncover potential violations of law you may see in any part of the Nation.

Monitoring Efforts to Date

In response to the President's call for action, my staff immediately met with Department leadership and reached out to other federal agencies with relevant authority. In addition, we began discussions with our partners in the state Attorney General community, who have significant legal tools to protect consumers and, under certain states' laws, combat gasoline price gouging. Some states enforced such gas price gouging laws after the events of September 11 and Hurricane Katrina.

On March 16, we held our first joint federal-state conference call, joined by representatives from NAAG, the Federal Trade Commission (FTC), and various DOJ components. Our state partners reported that they are monitoring the gas price situation closely. They also shared their views about what they were seeing in the field, in their respective parts of the country. DOJ and NAAG agreed to continue monitoring the situation throughout the country and have done so through, among other things, the NAAG gas working group's bi-monthly conference calls. During the March conference call, held on March 28, a number of state attorneys general offices provided helpful, substantive reports. We discussed pending inquiries

in some states, the most effective legal tools, and areas that require additional exploration, including whether there is any evidence of unlawful price manipulation at the supplier level or higher.

Your Participation

As you know, a central mission of the Financial Fraud Enforcement Task Force is to enhance the government's effectiveness to prevent and combat financial fraud, by sharing information and fostering collaboration among members. In that spirit, today I am creating a new working group within the Financial Fraud Enforcement Task Force focused on fraud in the energy markets. The Oil and Gas Price Fraud Working Group will include representatives from the Department of Justice, the National Association of Attorneys General, the Commodity Futures Trading Commission, the Federal Trade Commission, the Department of the Treasury, the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, as well as the Departments of Agriculture and Energy. I am requesting that the Working Group members use their authorities to:

- Explore whether there is any evidence of manipulation of oil and gas prices, collusion, fraud, or misrepresentations at the retail or wholesale levels that would violate state or federal laws and that has harmed consumers or the federal government as a purchaser of oil and gas;
- Evaluate developments in commodities markets including an examination of investor practices, supply and demand factors, and the role of speculators and index traders in oil futures markets.

I have asked this Working Group to report to the Task Force Executive Director, Robb Adkins, who will update the Task Force Steering Committee periodically on developments from the Working Group.

Based upon our work and research to date, it is evident that there are regional differences in gasoline prices, as well as differences in the statutory and other legal tools at the government's disposal. It is also clear that there are lawful reasons for increases in gas prices, given supply and demand. Nonetheless, where consumers are harmed by unlawful conduct that has the effect of increasing gas prices, state and federal authorities should take swift action. Your agency can serve a valuable role as the Task Force's eyes and ears. Together, we will continue to be vigilant in monitoring for any wrongdoing with respect to rising oil or gasoline prices, so that Americans can be confident that they are not paying a penny more than they should at the gas pump – and that there is no violation of federal or state law, collusion, or fraud with respect to the price of the gasoline upon which our economy so vitally depends.

We look forward to learning more about gasoline price-related information as it relates to your agency or your community – and continuing our important work together to protect American consumers, families, and businesses from financial fraud.