

Global banks fined \$5.6 billion-plus for forex swindle

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This combination made from file photos shows signage for four banks, Barclays, Citigroup, JPMorgan Chase, and the Royal Bank of Scotland, that will pay \$2.5 billion in fines and plead guilty to criminally manipulating global currency market going back to 2007. The banks conspired with one another to fix rates on U.S. dollars and euros traded in the huge global market for currencies, according to a settlement announced Wednesday, May 20, 2015, between the banks and U.S. Justice Department.

LEFTERIS PITARAKIS/NICK UT/KATHY WILLENS/MATT DUNHAM — AP





WASHINGTON — Five large global banks have agreed to plead guilty to felony charges and collectively pay billions in record fines for conspiring together to manipulate the price of currencies traded in foreign-exchange markets, the Justice Department announced Wednesday.

Citicorp, JPMorgan Chase & Co., Barclays PLC, and The Royal Bank of Scotland PLC all made their pleas for a single count of conspiring to manipulate the price of U.S. dollars and euros traded in the foreign exchange spot markets, and collectively will pay a corresponding \$2.5 billion in fines.

UBS AG acknowledged manipulation of the benchmark lending rate called Libor, or the London Interbank Offered Rate, and will pay a \$203 million fine.

The Commodity Futures Trading Commission said Wednesday that it had also hit Barclays with two additional civil penalties, totaling \$515 million.

Separately, the Federal Reserve announced \$1.8 billion in fines against the five banks and a sixth, Bank of America Corp., for unsafe and unsound practices in foreign-exchange markets.

“Bank of America failed to detect and address conduct by traders who discussed the possibility of entering into similar agreements to manipulate prices,” the Fed said in a statement, suggesting that the Charlotte, NC-based bank wanted in on the scam.

All told the separately announced actions had a combined sum above \$5 billion and followed \$4.3 billion in fines announced last November against subsidiaries of most of the same banks. Wednesday marked action against the parent companies. When settlements conclude with U.S. state regulators and those in the United Kingdom, the final tally is expect to inch towards \$6 billion.

The settlements come at a sensitive time for banks, as Republicans in Congress are offering legislation to ease what they call heavy-handed regulation of the financial sector. The behavior exhibited by the banks makes the legislation a tougher sell to the public.

The Justice Department, citing plea agreements to be filed in the District of Connecticut, said that between December 2007 and January 2013, euro-dollar traders at Citicorp, JPMorgan, Barclays and RBS

formed what they self-described as “The Cartel.” They used an exclusive electronic chat room and coded language to manipulate benchmark exchange rates.

Those rates are set through two major daily “fixes,” - the 1:15 p.m. European Central Bank fix and the 4:00 p.m. World Markets/Reuters fix- the DOJ said. Third parties collect trading data at these times to calculate and publish a daily “fix rate,” which in turn is used to price orders for many large customers.

“The Cartel” traders coordinated their trading of U.S. dollars and euros to manipulate the benchmark rates set at the 1:15 p.m. and 4:00 p.m. fixes in an effort to increase their profits, the agency said in a statement. The crimes occurred in spot markets, which are cash markets where there is immediate delivery of whatever commodity is traded.

By agreeing not to buy or sell at certain times, the Justice Department said, the traders protected each other’s trading positions by withholding supply of or demand for currency and suppressing competition in the foreign-exchange market.

Citicorp, Barclays, JPMorgan, RBS and UBS have each agreed to a three-year period of corporate probation, the agency said, and all five banks will continue cooperating with the government’s ongoing criminal investigations and the plea deals do not prevent future prosecution.

The specific DOJ fines per bank were: Citicorp, \$925 million; Barclay, \$650 million; JPMorgan, \$550 million; RBS, \$395 million; and UBS, \$203 million.

The Fed’s fines per bank were: \$342 million each for UBS AG, Barclays Bank PLC, Citigroup Inc., and JPMorgan Chase & Co.; \$274 million for Royal Bank of Scotland PLC (RBS); and \$205 million for Bank of America Corporation.

The CFTC hit Barclays with fines of \$400 million and \$115 million.

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