

Exclusive: BNY Mellon in forex settlement talks with U.S., N.Y. - sources

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(Reuters) - Bank of New York Mellon Corp (BKN) is in settlement talks with the U.S. Justice Department and New York attorney general over claims the bank defrauded clients in foreign exchange transactions, according to sources familiar with the matter.

BNY Mellon last week revealed that it would take a \$598 million charge as it sought to resolve matters including "substantially all" foreign exchange litigation it faced, though it did not specify which cases.

The bank faces several lawsuits, including class actions, stemming from allegations that it misled clients about how it determined currency exchange rates for certain transactions.

The Justice Department, which has a lawsuit against BNY Mellon pending in Manhattan federal court, is engaging in settlement talks, a person familiar with the matter said.

Meanwhile, New York Attorney General Eric Schneiderman and the bank are in discussions to resolve a separate lawsuit he brought in 2011, another source said.

Kevin Heine, a spokesman for BNY Mellon, declined comment. Representatives for Manhattan U.S. Attorney Preet Bharara, whose office is handling the federal lawsuit, and Schneiderman also declined to comment.

Last week, amid the discussions, U.S. District Judge Lewis Kaplan ordered that document and evidence production in federal lawsuits pending before him against BNY Mellon be put on hold until March 17.

The Justice Department's lawsuit, filed in 2011, accuses BNY Mellon of a scheme from at least 2000 to defraud custodial customers who used its foreign exchange services.

It also asserted claims against an individual, David Nichols, the head of products management at BNY Mellon. Nichols' lawyer declined comment last week when asked if settlement talks were underway.

The lawsuit was brought under the Financial Institutional Reform, Recovery and Enforcement Act, a 1989 law enacted after the savings and loans crisis.

Schneiderman, along with New York City, meanwhile filed a \$2 billion lawsuit in 2011 in state court accusing the bank of fraudulently misrepresenting it would provide the best execution to its clients.

BNY Mellon reached a partial settlement with the Justice Department in 2012, agreeing to change disclosures about its foreign exchange services. The lawsuit otherwise moved forward, surviving a motion to dismiss in 2013.

The cases are United States v. Bank of New York Mellon, U.S. District Court, Southern District of New York, No. 11-06969, and People of the State of New York v. Bank of New York Mellon, New York State Supreme Court, New York County, No. 114735/2009.

(Reporting by Nate Raymond in New York; Editing by Noeleen Walder and Christian Plumb)