

Barclays admits rigging

the market

Lender operated 'brazen heads I win, tails

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FOREX FALLOUT

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"If you ain't cheating, you ain't trying," is how a Barclays sales manager summed up the practice of adding secret mark-ups to the prices quoted to clients for foreign exchange trades.

This comment encapsulates the damaging evidence collected against Barclays, which yesterday agreed to plead guilty and pay \$2.38bn in fines for rigging forex and other markets over five years – the most any bank has paid for the scandal – including a record fine by the UK's Financial Conduct Authority.

In a separate move, Barclays became the first institution to be fined for manipulating the US Dollar International Swaps and Derivatives Association Fix (Isdafix), a global benchmark for interest rate products, between 2007 and 2012.

The Commodity Futures Trading Commission of the US fined the bank \$115m for attempting to rig Isdafix, by trading in a manner designed to move the benchmark and benefit its own

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'Dealing with these issues . . . is a necessary and important part of our plan to transform Barclays'

derivatives positions as well as making false reports and skewed submissions.

Barclays also paid a \$60m penalty for not respecting an agreement it signed in 2012 to avoid prosecution for alleged manipulation of the Libor interest rate benchmark.

The US Department of Justice found that the wrongdoing on forex broke the terms of its agreement on Libor, but exercised its discretion not to prosecute because of the other penalties.

Benjamin Lawskey, head of the New York Department of Financial Services (DFS), said Barclays had operated a "brazen heads I win, tails you lose scheme to rip off their clients" by colluding with other banks to manipulate forex prices and applying "hard mark-ups" to prices without clients' knowledge.

The DFS said: "The misconduct at the bank [Barclays] was systemic and involved various levels of employees." It said traders were incentivised to take part in the market manipulation, quoting a senior Barclays trader offering an "added incentive" to sales staff of half of profits made for increasing trading volume at certain times.

Regulators said the bank disclosed clients' private information to rivals; failed to fulfil clients' limit orders when it was able to; and even deliberately triggered stop-loss limits on client positions for its own benefit. They also said it

you lose scheme to rip off

their clients' regulator finds

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failed to take appropriate action when alerted to weaknesses in controls of the forex business.

"The failings in Barclays' forex business persisted despite similar control failings in relation to Libor and the gold fixing," the FCA said. "Although Barclays made some improvements following these enforcement actions, it failed to take adequate steps to address the underlying root causes of the failings in its forex business."

At least six Barclays employees involved in the misconduct are no longer employed at the bank and four more have been fired in the past month, according to people close to the case. However, DFS said it had ordered the

bank to "take all steps necessary to terminate" the jobs of four more people.

Antony Jenkins, Barclays chief executive, said: "The misconduct at the core of these investigations is wholly incompatible with Barclays' purpose and values and we deeply regret that it occurred."

He added: "Dealing with these issues, including taking the appropriate disciplinary action against the individuals involved, is a necessary and important part of our plan to transform Barclays and remains a key priority."

The settlement lifts one of the big conduct issues hanging over Barclays, which has put great emphasis on cleaning up its culture since Mr Jenkins

started as chief executive in 2012. Its shares rose 3 per cent yesterday.

There have been rumours the arrival of John McFarlane as chairman last month would increase pressure on the board to seek a successor to Mr Jenkins, although the bank has denied this.

Barclays has already taken a £2.05bn provision primarily to cover the cost of its forex settlement, so the fines will not hit future earnings. But they are likely to push up its capital requirements by raising its operational risk profile.

The bank agreed to pay \$650m to the DoJ and to plead guilty to conspiring to manipulate the price of US dollars and euros in the forex market. The DoJ said the bank was involved from December

2007 until July 2011 and then from December 2011 until August 2012.

Barclays also paid \$485m to the DFS, \$400m to the CFTC, \$342m to the Federal Reserve and a record £284m to the FCA. It has promised to implement a compliance programme and not to break US law for a three-year probation period, overseen by a probation officer.

Barclays was the biggest bank in forex trading with a market share of almost 11 per cent in 2011, according to Euromoney Market Data.

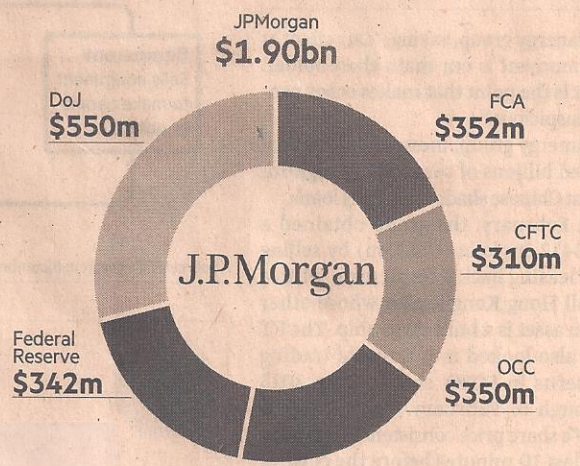
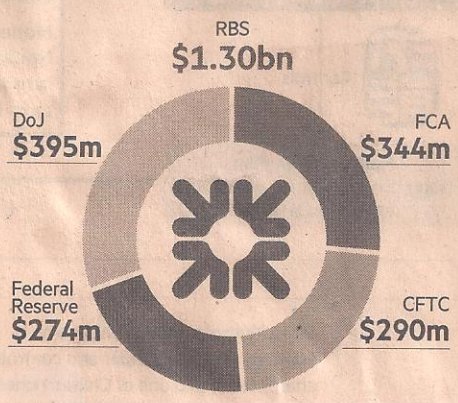
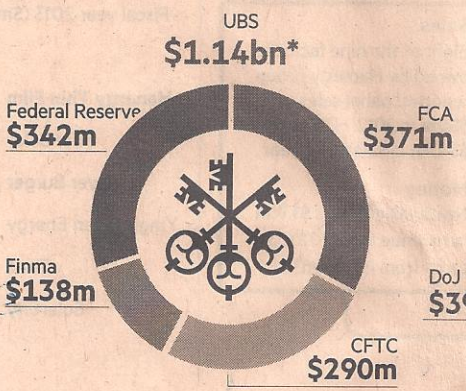
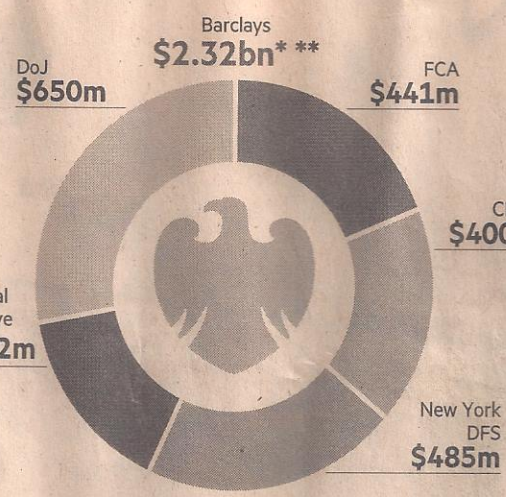
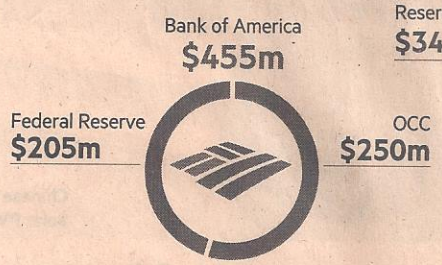
Some former Barclays traders are under criminal investigation by the DoJ and the UK's Serious Fraud Office but no charges have yet been brought.

See Lex

The cost of 'cheating'

Forex settlements

- FCA, UK financial regulator
- CFTC, a US markets regulator
- OCC, a US bank regulator
- Finma, Swiss financial regulator
- Department of Justice
- Federal Reserve
- New York DFS



* Excludes an additional penalty for Libor ** Excludes \$115m settlement for rigging of Isdafx benchmark
 FT graphic. Source: Regulators