

JUSTICE NEWS

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Former Rabobank Derivatives Trader Pleads Guilty for Scheme to Manipulate LIBOR Benchmark

A former Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) derivatives trader, who worked in Hong Kong and Singapore as the bank's Head of Money Market and Derivatives Trading for Northeast Asia, pleaded guilty today to conspiracy to commit wire fraud and bank fraud for his role in a scheme to manipulate the London InterBank Offered Rate (LIBOR) to Rabobank's advantage.

Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division, Deputy Assistant Attorney General Brent Snyder of the Justice Department's Antitrust Division and Assistant Director in Charge Paul M. Abbate of the FBI's Washington Field Office made the announcement.

Paul Thompson, 50, of Dalkeith, Western Australia, pleaded guilty before U.S. District Judge Jed S. Rakoff of the Southern District of New York, who set sentencing for Nov. 9, 2016.

"Confidence in the integrity of our financial markets is critical to the stability of the U.S. economy," said Assistant Attorney General Caldwell. "Trillions of dollars in derivative contracts, loans, consumer debt and other financial products are linked to LIBOR, but Thompson schemed to manipulate this important benchmark to advantage his bank's own trading positions. This case demonstrates that we will work with our partners around the world to bring to justice those whose crimes threaten our financial markets, wherever they reside."

"The defendant conspired to manipulate LIBOR, putting his interests above those who depend on LIBOR as a reliable, impartial reference rate," said Deputy Assistant Attorney General Snyder. "The Antitrust Division will continue to work with our colleagues in the Criminal Division and the FBI to ensure that individuals who conspire to cheat or manipulate markets are held accountable for their crimes."

"In today's plea, a former Rabobank executive admitted to his role in conspiring to manipulate the LIBOR interest rate to his bank's advantage," said Assistant Director in Charge Abbate. "This multi-year investigation represents the ongoing effort of the FBI and its domestic and international law enforcement and regulatory partners to identify and stop those who commit complex financial crimes affecting the United States, no matter where they operate or reside."

Thompson is the fourth individual to plead guilty in this matter: Paul Robson, Lee Stewart and Takayuki Yagami, former Rabobank traders, pleaded guilty to one count of conspiracy in connection with their roles in the scheme. Another former Rabobank employee, Tetsuya Motomura, of Tokyo, has been charged and awaits trial.

LIBOR is an average interest rate, calculated based on submissions from leading banks around the world, reflecting the rates those banks believe they would be charged if they borrowed from other banks. LIBOR serves as the primary benchmark for short-term interest rates globally and is used as a reference for many interest rate contracts, mortgages, credit cards, student loans and other consumer lending products. The Bank of International Settlements estimated that as of the second half of 2009, outstanding interest rate contracts tied to LIBOR were valued at approximately \$450 trillion. At the time relevant to the charges, LIBOR was published by the British Bankers' Association (BBA), a trade association based in London. LIBOR was calculated for 10 currencies at 15 borrowing periods, known as maturities. The published LIBOR "fix" for Yen and U.S. Dollar (USD) LIBOR at a specific maturity is the result of a calculation based upon submissions from a panel of 16 banks, including Rabobank.

According to admissions made in connection with his plea, Thompson traded derivative products tied to the USD and Japanese Yen LIBOR rates. In an effort to increase the profitability of his derivative positions, Thompson entered into a scheme with several other Rabobank employees to influence the rate to Rabobank's advantage, he admitted. Electronic communications offered at Allen and Conti's trial showed that Thompson schemed with Paul Robson, a former Rabobank trader responsible for submitting Rabobank's Yen LIBOR rate to the BBA, and others, to make LIBOR submissions calculated to increase the profitability of Thompson's derivatives positions. For example, on May 19, 2006, Thompson informed Robson that his net exposure to the three-month duration of the Yen LIBOR rate was 125 billion Yen and asked Robson to "sneak your 3m libor down a cheeky 1 or 2 [basis points] because "it will make a bit of diff for me." On Nov. 8, 2006, Thompson wrote to Robson, "Got a few big 3mth fixings in next 2 days, any chance you cud bump [LIBOR] up a couple?" And on May 10, 2006, Robson informed another Rabobank submitter that, "for info I've been asked by my Singapore man [Thompson] to help him out with a silly low 6m fixing today."

On Nov. 5, 2015, a federal jury in the Southern District of New York convicted Anthony Allen, formerly Rabobank's Global Head of Liquidity and Finance, and Anthony Conti, formerly Rabobank's primary U.S. Dollar LIBOR submitter, for their roles in the scheme. They were sentenced to 24 months and 12 months and a day in prison, respectively. On Oct. 29, 2013, Rabobank entered into a deferred prosecution agreement with the department and agreed to pay a \$325 million penalty to resolve violations arising from Rabobank's LIBOR submissions.

The FBI's Washington Field Office is conducting the investigation. Senior Litigation Counsel Carol L. Sipperly and Assistant Chief Brian R. Young of the Criminal Division's Fraud Section and Trial Attorney Michael T. Koenig of the Antitrust Division are prosecuting the case. The Criminal Division's Office of International Affairs has provided assistance in this matter.

The Justice Department expresses its appreciation for the assistance provided by various enforcement agencies in the United States and abroad. The Commodity Futures Trading Commission's Division of Enforcement referred this matter to the department and, along with the U.K. Financial Conduct Authority, has played a major role in the LIBOR investigation. The Securities and Exchange Commission has also played a significant role in the LIBOR series of investigations and the department expresses its appreciation to the United Kingdom's Serious Fraud Office for its assistance and ongoing cooperation. The department has worked closely with the Dutch Public Prosecution Service and the Dutch Central Bank in the Rabobank investigation. The department also thanked the Australian Attorney-General's Department, the Australian Federal Police and the Western Australia Police for their assistance. Various agencies and enforcement authorities from other nations are also participating in different aspects of the broader investigation relating to LIBOR and other benchmark rates, and the department is grateful for their cooperation and assistance.

This prosecution is part of efforts underway by President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets and recover proceeds for victims of financial crimes. For more information about the task force visit www.stopfraud.gov.

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