

JUSTICE NEWS

Assistant Attorney General Leslie R. Caldwell Delivers Remarks at a Press Conference on Foreign Exchange Spot Market Manipulation

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Remarks as prepared for delivery

Thank you, Bill [Baer].

The guilty pleas of five major financial institutions – from the United States and overseas – are truly historic.

The guilty plea to be entered by UBS results from the bank's breach of its non-prosecution agreement with the department through additional criminal conduct. Due to its breach, UBS will plead guilty to felony wire fraud for its LIBOR-related misconduct and pay a \$203 million criminal penalty.

In December 2012, UBS admitted that it had engaged in a criminal scheme to manipulate LIBOR and other benchmark interest rates, paid a \$500 million criminal penalty and entered into a non-prosecution agreement, which required the bank to commit no additional criminal conduct. Unfortunately, UBS did not sufficiently mend its ways.

UBS's criminal conduct in the benchmark interest rate markets was followed by criminal conduct in the foreign exchange markets. After signing the LIBOR non-prosecution agreement, UBS engaged in fraudulent and deceptive currency trading and sales practices in conducting certain foreign exchange market transactions to the detriment of UBS's customers. And UBS colluded with other banks in foreign exchange markets.

Other factors also led to the department's determination that UBS was in breach of its LIBOR agreement. UBS's compliance program and remedial measures following the discovery of LIBOR manipulation did not detect the collusive and deceptive sales-related conduct in the foreign exchange markets. And its conduct in the original LIBOR matter, for which it initially was not prosecuted in part because of its representations about enhancements to its compliance program, was far more serious than that of any other bank.

Perhaps most significantly, UBS has a "rap sheet" that cannot be ignored. Within the past six years, the department has resolved criminal investigations of UBS three times, resulting in non-prosecution or deferred prosecution agreements. UBS also has entered into civil and regulatory settlements on multiple occasions within the past few years. Enough is enough.

Pursuant to the terms of the plea agreement it has signed, UBS must implement an institution-wide compliance program designed to prevent and detect foreign exchange and benchmark rate manipulation and related deceptive sales practices. The department will ask the court to impose a three-year term of probation, and UBS will have to report on its progress with this compliance program. Since the LIBOR resolution, UBS has made some progress in the right direction – but that progress needs to be enhanced and accelerated, and today's resolution will require that.

Now, Barclays, too, was subject to the terms of a LIBOR NPA with the Criminal Division when it engaged in some of the collusive conduct. The department is requiring Barclays to pay a criminal penalty of \$60 million – in addition to the \$650 million fine that it has agreed to pay for its antitrust violations – for a total of \$710 million. For several reasons, the Criminal Division is imposing this penalty but exercising its discretion not to

prosecute Barclays for LIBOR-related conduct. Notably, Barclays has agreed to plead guilty – at the parent level – to antitrust violations and pay the accompanying, significant \$650 million fine. In addition, Barclays has agreed to specific remediation.

The five parent-level guilty pleas that the department is announcing today communicate loud and clear that we will hold financial institutions accountable for criminal misconduct. And we will enforce the agreements that we enter into with corporations. If appropriate and proportional to the misconduct and the company's track record, we will tear up an NPA or a DPA and prosecute the offending company based on the admitted statement of facts – as we are doing with UBS. But we also will exercise our discretion to take other actions, where appropriate, such as assessing additional financial penalties and requiring remedial actions.

NPAs and DPAs are valuable tools, and we will continue to use them in appropriate circumstances. And we will require that the parties who enter into those agreements live up to their terms.

The department is committed and dedicated to investigating and prosecuting financial fraud and protecting the integrity of the markets. The resolutions announced today are just the latest in our ongoing and active investigations into the manipulation of the foreign exchange and benchmark interest rates. To date, we have charged 12 individuals in our ongoing investigation regarding the manipulation of LIBOR and other benchmark interest rates, and three of those individuals already have pleaded guilty. And our investigations are not over. The banks pleading guilty today are required to cooperate in ongoing criminal investigations.

I commend the team of attorneys, paralegals and support staff from the Criminal Division's Fraud Section and the Antitrust Division in prosecuting this very sophisticated scheme. I would like to thank the agents, accountants and financial analysts at the FBI for their excellent work in both the FX and LIBOR-related matters. I also am grateful to the Criminal Division's Office of International Affairs, the Commodities Futures Trading Commission, the U.K. Financial Conduct Authority, the Securities and Exchange Commission and the U.K. Serious Fraud Office for their assistance as well.

Thank you.

Component:
Criminal Division

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