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CFTC Orders Société Générale S.A. to Pay $475 Million Penalty to Resolve Charges of Manipulation, Attempted Manipulation, and False Reporting of LIBOR and Euribor

Washington, DC - The Commodity Futures Trading Commission (CFTC) issued an Order today filing and settling charges against **Société Générale S.A.** (Société Générale or the Bank) for attempted manipulation of and false reporting in connection with the London Interbank Offered Rate (LIBOR) for U.S. Dollar, Yen and Euro, and the Euro Interbank Offered Rate (Euribor), certain instances of manipulation of Yen LIBOR, and aiding and abetting traders at another bank in their attempts to manipulate Euribor. The Bank's misconduct spans more than six years, from 2006 through mid-2012. The CFTC Order requires Société Générale to pay a civil monetary penalty of $475 million, cease and desist from further violations as charged, and adhere to specific undertakings to ensure the integrity of its LIBOR, Euribor, and other benchmark interest rate submissions in the future.

James McDonald, CFTC Director of Enforcement, commented: "Today's action shows the CFTC's continued commitment to ensuring the integrity of global benchmarks that impact the U.S. markets. During the course of these Libor investigations, we have seen some market participants knowingly make false reports in an effort to increase their trading profits or misrepresent their financial health. But we also have seen the Commission and its staff work tirelessly to identify this misconduct, root out the bad actors, and to ensure those responsible are held accountable."

LIBOR and Euribor are global interest rate benchmarks that act as the basis of pricing for trillions of dollars of financial instruments, including U.S. based exchange-traded futures contracts and swaps transactions. Markets, investors, and consumers in the United States and around the world rely on the integrity of these benchmark interest rates.

LIBOR and Euribor are fixed each day based on rates submitted by a select panel of banks. They are supposed to reflect or relate to the true costs of borrowing unsecured funds in the relevant interbank market. In determining what rates to submit, each panel bank is to make an honest assessment of those costs. Benchmark submissions thus convey market information about borrowing costs for unsecured funds, the liquidity conditions and stress in the money markets, and a bank's ability to borrow funds in the particular markets. As reflected in the CFTC's Order, at various times during the relevant period, Société Générale made its submissions for U.S. Dollar, Euro and Yen LIBOR and Euribor based on impermissible factors.

The Order finds that Société Générale engaged in misconduct that undermined the integrity of LIBOR and Euribor for two distinct purposes. From May 2010 through mid-2012, during a period of market strain due to the Greek sovereign debt crisis, Société Générale made false reports of U.S. Dollar and Euro LIBOR and Euribor to protect its reputation from speculation that it was having more difficulty

borrowing unsecured funds than other banks. Société Générale made these false reports at the direction of certain members of executive management, including the Chief Financial Officer and Head of Corporate Investment Banking, as well as senior Treasury managers, including the Global Head of Treasury. At other times, as detailed below, Société Générale made false reports concerning U.S. Dollar, Yen, and Euro LIBOR and Euribor in attempts to manipulate the setting of those benchmarks, and for Yen LIBOR was, at certain times, successful in its attempts to manipulate, in order to benefit trading positions that were priced based on LIBOR or Euribor, or in other words, for profit.

As the Order finds, Société Générale engaged in misconduct even after it knew that the CFTC was investigating the Bank's Euribor and LIBOR submission practices as of July and September 2011. Société Générale continued to make false U.S. Dollar LIBOR submissions by submitting rates lower than its true costs of borrowing funds in order to protect its reputation. Moreover, in early 2012, Société Générale conducted an internal audit of its LIBOR submission process, which produced an anemic report that failed to identify glaring improprieties and concluded the Bank's submitted rates were "consistent with" British Bankers' Association guidelines despite an abundance of evidence to the contrary.

Société Générale Makes False Submissions to Protect Reputation As Directed by Executive Management from May 2010 through Mid-2012

The CFTC Order specifically finds that in May 2010, during a period of market strain due to the Greek sovereign debt crisis to which Société Générale had exposure, Société Générale's U.S. Dollar LIBOR submissions garnered the attention of press and market analysts because the submissions were consistently higher than the submissions of many other banks, reflecting to the market that the Bank was paying higher interest rates than other banks in order to borrow unsecured funds. This raised the concerns of certain members of Société Générale's executive management that the relatively higher U.S. Dollar LIBOR submissions were creating an impression that the Bank was struggling to finance itself and the Bank would appear less financially stable compared to its competitors, especially the French banks. Certain members of executive management expressed anger over the Bank's submissions having a negative impact on its reputation. They instructed the Bank's Global Head of Treasury that Société Générale's submissions should not be among the highest of the non-eliminated banks and should not raise questions about the Bank's financial stability. Société Générale's Global Head of Treasury conveyed these executive managers' concerns and instructions to the members of Treasury responsible for making the submissions. At the direction of these managers, the Bank's LIBOR and Euribor submitters were to lower the Société Générale's LIBOR submissions to ensure that there was no further scrutiny from the press or market analysts and to assuage the concerns of the executive management. Société Générale's submitters followed the instructions, with one manager noting that it was "a total charade." Société Générale also lowered its Euribor submissions to match the Bank's lower Euro LIBOR submissions to avoid detection of their false depression of Euro LIBOR because the benchmarks tended to move in tandem.

The Order finds that at times, members of Société Générale's Treasury Desks expressed discomfort and concern about Société Générale's submission practices. "We have increased our market funding levels without moving our LIBOR

contribution I think we are leaving ourselves exposed to a possible claim of market manipulation … I am extremely uncomfortable with this situation." Certain members of executive management were informed that submissions did not match what the Bank was paying in the market, being told at one point, "we remain in breach," "we're very far away from reality," and "we're in cloud cuckoo land with our contributions." The Bank made false U.S. Dollar LIBOR submissions until at least July 2012 and made false Euro LIBOR and Euribor submissions until at least July 2010.

According to the Order, as scrutiny of panel banks LIBOR submissions practices intensified and Société Générale's fear of exposure grew, Société Générale started to gradually increase its submissions, hoping to avoid any market reaction. Société Générale also took steps to conceal its misconduct, including preparing fictitious borrowing costs data to submit to the LIBOR administrator to justify the Bank's submissions, discussing, dissembling and justifying aberrant deals done at levels above the submissions, and sending false bids for U.S. Dollars into the wider market while telling potential lenders one-on-one that the Bank was willing to pay much higher rates. These tactics were meant to hide the disconnection between the costs of funds and its U.S. Dollar LIBOR submissions. The Order also finds that upon facing inquiry into their misconduct, members of the Bank's Treasury desks wanted indemnification letters, discussed that they "played dumb" when questioned about the Bank's LIBOR submission process and joked that, "I don't want to go to prison by myself…" and, "You'll have to bring us oranges when we're in prison."

Société Générale's Attempts to Manipulate U.S. Dollar, Yen, and Euro LIBOR and Euribor To Benefit Trading Positions

The CFTC Order further finds that at various times, Société Générale, through the acts of members of its Paris Treasury Desk and others, attempted to manipulate the fixing of LIBOR and Euribor by making false submissions to benefit money market and derivatives trading positions. The Treasury Desks were profit centers for Société Générale and traders' compensation was based in part upon the profitability of the Desk.

- From February 2009 to mid-May 2010, Société Générale, through its submitters, based the Bank's U.S. Dollar LIBOR submissions, in whole or in part, on whatever the Paris Treasury Desk believed was most beneficial for the desk's positions on any given day. If successful in affecting the fixing, the Bank would profit on certain money market and derivatives positions placed by the Paris Treasury Desk by increasing payments from counterparties on assets or decreasing payments to counterparties on liabilities. At one point, as part of a strategy to push the U.S. Dollar LIBOR fixing higher to benefit a long position in the one month tenor, Société Générale attempted to make the highest submission that would be included in the calculation for the final U.S. Dollar LIBOR fixing. From mid-September 2009 to mid-March 2010, 88% of the Bank's U.S. Dollar LIBOR submissions in the one-month tenor were ranked as one of the three highest submissions in the calculation (i.e. the tenth to twelfth highest submission in the panel) for the final fixing. And its submissions were consistently above its borrowing costs and the LIBOR fixing.

- From 2006 to at least March 2007, Société Générale, through its submitters and derivatives traders, attempted to manipulate Euribor. Senior Euro derivatives traders at the Bank regularly sent requests to the Bank's Euribor submitters on the Paris Treasury Desk to adjust the Bank's Euribor submissions to benefit trading positions, which were occasionally accommodated. On certain occasions, the submitters did not accommodate the requests of the derivatives traders because the Paris Treasury Desk itself held positions which would have benefited with an opposite movement in the fixing, at which point a decision was made to submit toward the "middle" to accommodate both trading positions.

- During the same period, Société Générale aided and abetted a Barclays derivatives trader's attempts to manipulate Euribor during the same period. At the time, certain Société Générale Euro derivatives traders engaged in a two-way scheme of sending submission requests to, and receiving requests from, Barclays derivatives traders to relay to their respective Euribor submitters. Société Générale traders relayed Barclays traders' requests to Société Générale's Euribor submitters to benefit either the Barclays traders' trading positions, or both the Barclays traders' and the Société Générale traders' positions. On certain occasions the Bank's submitters accommodated these requests.

- In the fall of 2007, Société Générale through its submitters and certain traders and senior managers on the Paris Treasury Desk, attempted to manipulate Euribor and Euro LIBOR to benefit the desk's money market and derivatives trading positions and mitigate losses. The Head of Paris Treasury, who eventually became the Global Head of Treasury, instructed the submitters to skew the Bank's submissions to mitigate losses on a particularly large trading position held by the Desk. One submitter commented, "We have been instructed to [ensure] that the [3 month Euirbor fixing] drops […] And when you're told you have to, well….You do it." When the Head of London Treasury asked about it, the Head of Paris Treasury acknowledged, "Yeah, it was some manipulation . . . ."

- From July 2006 through August 2007, Société Générale, through its derivatives traders, submitters, and senior Treasury managers, attempted to manipulate Yen LIBOR and on certain occasions, successfully manipulated Yen LIBOR. The Société Générale's Head of Treasury for Europe and Asia ordered the Yen Submitter to accommodate the submission requests of certain Société Générale Yen derivatives traders in Tokyo. Despite knowing the impropriety of the requests, the Yen LIBOR Submitter complied with the order and accommodated these requests.

The Order also finds that Société Générale's lack of internal controls, procedures, and policies concerning its LIBOR and Euribor submission processes and its failure to adequately supervise its money market and derivatives trading desks and traders allowed this misconduct to occur. Société Générale did not have policies, internal controls, or procedures for determining or monitoring its benchmark interest rate submissions to ensure that the Bank's LIBOR and Euribor submissions were appropriately submitted based on an assessment of the costs of borrowing unsecured funds in the relevant interbank markets. Société Générale's failure to provide internal training or implement standards around its LIBOR and Euribor submissions, to prohibit inappropriate communications between traders and submitters, and to recognize and

monitor obvious conflicts of interest, all led to a culture of misconduct and permitted such misconduct to continue for a number of years, according to the Order.

In a related action by the U.S. Department of Justice (DOJ), Société Générale entered into a deferred prosecution agreement for violations of the Commodity Exchange Act for the same underlying misconduct and accepted a penalty of $275 million.

The CFTC Order recognizes the Bank's significant cooperation with the CFTC Division of Enforcement's investigation, including identifying and disclosing additional specific misconduct in responding to the Division's requests for documents and information.

The CFTC thanks and acknowledges the valuable assistance of the Department of Justice, the Washington Field Office of the Federal Bureau of Investigation, The Autorité des marchés financiers in France, and the UK Financial Conduct Authority.

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