U.S. COMMODITY FUTURES TRADING COMMISSION
ENSURING THE INTEGRITY OF THE FUTURES & OPTIONS MARKETS

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CFTC Charges ICAP Europe Limited, a Subsidiary of ICAP plc, with Manipulation and Attempted Manipulation of Yen Libor

ICAP Europe Limited Ordered to Pay a $65 Million Civil Monetary Penalty

Washington, DC -- The U.S. Commodity Futures Trading Commission (CFTC) today issued an Order against **ICAP Europe Limited** (ICAP), an interdealer broker, bringing and settling charges of manipulation, attempted manipulation, false reporting, and aiding and abetting derivatives traders' manipulation and attempted manipulation, relating to the London Interbank Offered Rate (LIBOR) for Yen. LIBOR is a critical benchmark interest rate used throughout the world as the basis for trillions of dollars of transactions. ICAP is a subsidiary of U.K.-based ICAP plc.

The CFTC's Order finds that for more than four years, from at least October 2006 through at least January 2011, ICAP brokers on its Yen derivatives and cash desks knowingly disseminated false and misleading information concerning Yen borrowing rates to market participants in attempts to manipulate, at times successfully, the official fixing of the daily Yen LIBOR. ICAP brokers, including one known as "Lord LIBOR" or "Mr. LIBOR," did so to aid and abet their highly valued client, who was a senior Yen derivatives trader (Senior Yen Trader) employed at UBS Securities Japan Co., Ltd. (UBS) and later at another bank, in his relentless attempts to manipulate Yen LIBOR to benefit his derivatives trading positions tied to this benchmark. On limited occasions, ICAP Yen brokers engaged in this unlawful conduct to benefit other derivatives traders as well. *(See excerpts of relevant broker communications as a Related Link.)*

The Order requires ICAP, among other things, to pay a $65 million civil monetary penalty, and cease and desist from further violations as charged. Pursuant to the Order, ICAP and ICAP plc also agree to take specified steps to ensure the integrity and reliability of benchmark interest rate-related market information disseminated by ICAP and certain other ICAP plc companies.

"ICAP and other interdealer brokers are expected to be honest middlemen," said David Meister, the CFTC's Director of Enforcement. "Here, certain ICAP brokers were anything but honest. They repeatedly abused their trusted role when they infected the financial markets with false information to aid their top client's manipulation of LIBOR. As should be clear from today's action, any market participant who seeks to undermine the integrity of a global benchmark interest rate must be held accountable."

Yen LIBOR is fixed daily based on rates contributed by panel banks for Yen LIBOR that are supposed to reflect each bank's assessment of costs of borrowing unsecured funds in the London interbank market. ICAP, as an interdealer broker, intermediates cash and LIBOR-based derivatives transactions between banks and other institutions. As a service to clients and to solicit and maintain business, ICAP also provides banks with market insight, including projections of likely LIBOR fixings, which are implicitly represented as ICAP's unbiased assessment of borrowing costs and market pricing based on objective, observable data, some of which was uniquely in ICAP's possession.

According to the CFTC's Order, the UBS Senior Yen Trader called on ICAP Yen brokers more than 400 times for assistance in manipulating Yen LIBOR. ICAP brokers often accommodated the requests by issuing, via a Yen cash broker, group emails to panel banks and others containing "Suggested LIBORs" for Yen LIBOR. But rather than providing an

honest and objective assessment of how Yen LIBOR would fix, the Suggested LIBORs reflected the preferred rates that would benefit the Senior Yen Trader.

The Order finds that almost all of the Yen LIBOR panel banks received the Suggested LIBORs, and several relied on them in making their Yen LIBOR submissions, particularly during the financial crisis of 2007-2009. Even panel banks that tried to make truthful Yen LIBOR submissions may have passed on false or misleading submissions, because they used ICAP brokers' purportedly unbiased Suggested LIBORs to inform their LIBOR submissions.

According to the Order, the ICAP brokers referred to the panel bank submitters as "sheep" when they copied the Yen cash broker's Suggested LIBORS. In fact, the Order finds that at least two banks' submissions mirrored the Suggested LIBORs up to 90% of the time.

The Order further finds that the ICAP Yen Brokers provided these "LIBOR services" to keep the Senior Yen Trader's business, which accounted for as much as 20% of the Yen derivatives desk's revenue. "Mr. LIBOR," the Yen cash broker who disseminated the false Suggested LIBORs, demanded compensation from the Yen derivatives desk for his "LIBOR services" or "no more mr libor." This grew from dinners and champagne, to additional commission-generating trades, to "kick backs" totaling $72,000.

The Order further finds that this unlawful, manipulative conduct continued for more than four years, in part because ICAP's supervision, internal controls, policies and procedures were inadequate. For example, ICAP never audited the Yen derivatives desk and left compliance oversight to the Yen derivatives desk head, who was complicit in the misconduct.

ICAP plc and ICAP Must Strengthen Internal Controls to Ensure Integrity and Reliability of Benchmark Interest Rate-Related Market Information

In addition to imposing a $65 million penalty, the CFTC Order requires ICAP and ICAP plc to implement and strengthen internal controls, policies and procedures governing benchmark interest rate-related market information that ICAP and certain ICAP plc companies send to market participants. Among other things, the Order requires ICAP and ICAP plc to:

• Base written benchmark interest rate-related predictions on certain factors;

• Document and retain basis for market publications;

• Require certain disclosures, including that certain market information reflects the opinions of the author, sources of information or data upon which opinion is based; and use of any models, correlated markets or related trading instruments;

• Review certain electronic and audio communications;

• Implement auditing, monitoring and training measures;

• Report to the CFTC on its compliance with the terms of the Order; and

• Continue to cooperate with the CFTC

The CFTC Order also recognizes the cooperation of ICAP Europe Limited with the Division of Enforcement in its investigation.

In a related action, the United Kingdom Financial Conduct Authority (FCA) issued a Final Notice regarding its enforcement action against ICAP Europe Limited and imposed a penalty of £14 million, the equivalent of approximately $22.4 million.

The CFTC acknowledges the valuable assistance of the FCA, the U.S. Department of Justice and the Washington Field Office of the Federal Bureau of Investigation.

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With this Order, the CFTC has now imposed penalties of just under $1.3 billion on entities for manipulative conduct with respect to LIBOR submissions and other benchmark interest rates. See *In the Matter of The Royal Bank of Scotland plc and RBS Securities Japan Limited*, Order Instituting Proceedings Pursuant To Sections 6(c) And 6(d) Of The Commodity Exchange Act, Making Findings And Imposing Remedial Sanctions (February 6, 2013) ($325 Million penalty) (see CFTC Press Release **6510-13**); *In the Matter of UBS AG*

and UBS Securities Japan Co., Ltd., Order Instituting Proceedings Pursuant To Sections 6(c) And 6(d) Of The Commodity Exchange Act, Making Findings And Imposing Remedial Sanctions (December 19, 2012) ($700 Million penalty) (see CFTC Press Release **6472-12**); and *In the Matter of Barclays PLC, Barclays Bank PLC, and Barclays Capital Inc.,* Order Instituting Proceedings Pursuant To Sections 6(c) And 6(d) Of The Commodity Exchange Act, As Amended, Making Findings And Imposing Remedial Sanctions (June 27, 2012) ($200 million penalty) (see CFTC Press Release **6289-13**). In the actions against the panel banks, the CFTC Orders also require the banks to comply with undertakings specifying the factors upon which benchmark interest rate submissions should be made, and requiring implementation of internal controls and policies needed to ensure the integrity and reliability of such communications.

CFTC Division of Enforcement staff members responsible for this case are Aimée Latimer-Zayets, Anne M. Termine, Maura M. Viehmeyer, James A. Garcia, Boaz Green, Kassra Goudarzi, Rishi K. Gupta, Jonathan K. Huth, Timothy M. Kirby, Terry Mayo, Elizabeth Padgett, Michael Solinsky, Philip P. Tumminio, Jason T. Wright, Gretchen L. Lowe, and Vincent A. McGonagle.

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