



November 12, 2014

CFTC Orders Five Banks to Pay over \$1.4 Billion in Penalties for Attempted Manipulation of Foreign Exchange Benchmark Rates

CITIBANK, HSBC, JPMORGAN, RBS, AND UBS COORDINATED TRADING WITH OTHER BANKS IN PRIVATE CHAT ROOMS IN THEIR ATTEMPTS TO MANIPULATE

Washington, DC – The U.S. Commodity Futures Trading Commission (CFTC) issued five Orders filing and settling charges against **Citibank N.A.** (Citibank), **HSBC Bank plc** (HSBC), **JPMorgan Chase Bank N.A.** (JPMorgan), **The Royal Bank of Scotland plc** (RBS) and **UBS AG** (UBS) (collectively, the Banks) for attempted manipulation of, and for aiding and abetting other banks' attempts to manipulate, global foreign exchange (FX) benchmark rates to benefit the positions of certain traders.

The Orders collectively impose over \$1.4 billion in civil monetary penalties, specifically: \$310 million each for Citibank and JPMorgan, \$290 million each for RBS and UBS, and \$275 million for HSBC.

The Orders also require the Banks to cease and desist from further violations, and take specified steps to implement and strengthen their internal controls and procedures, including the supervision of their FX traders, to ensure the integrity of their participation in the fixing of foreign exchange benchmark rates and internal and external communications by traders. The relevant period of conduct varies across the Banks, with conduct commencing for certain banks in 2009, and for each bank, continuing into 2012.

Aitan Goelman, the CFTC's Director of Enforcement, stated: "The setting of a benchmark rate is not simply another opportunity for banks to earn a profit. Countless individuals and companies around the world rely on these rates to settle financial contracts, and this reliance is premised on faith in the fundamental integrity of these benchmarks. The market only works if people have confidence that the process of setting these benchmarks is fair, not corrupted by manipulation by some of the biggest banks in the world."

According to the Orders, one of the primary benchmarks that the FX traders attempted to manipulate was the World Markets/Reuters Closing Spot Rates (WM/R Rates). The WM/R Rates, the most widely referenced FX benchmark rates in the United States and globally, are used to establish the relative values of different currencies, which reflect the rates at which one currency is exchanged for another currency. FX benchmark rates, such as the WM/R Rates, are used for pricing of cross-currency swaps, foreign exchange swaps, spot transactions, forwards, options, futures and other financial derivative instruments. The most actively traded currency pairs are the Euro/U.S. Dollar, U.S. Dollar/Japanese Yen, and British Pound Sterling/U.S. Dollar. Accordingly, the integrity of the WM/R Rates and other FX benchmarks is critical to the integrity of the markets in the United States and around the world.

The Orders find that certain FX traders at the Banks coordinated their trading with traders at other banks in their attempts to manipulate the FX benchmark rates, including the 4 p.m. WM/R fix. FX traders at the Banks used private chat rooms to communicate and plan their attempts to manipulate the FX benchmark rates. In these chat rooms, FX traders at the Banks disclosed confidential customer order information and trading positions, altered trading positions to accommodate the interests of the collective group, and agreed on trading strategies as part of an effort by the group to attempt to manipulate certain FX benchmark rates. These chat rooms were sometimes exclusive and invitation only. (Examples of the coordinating chats are attached).

The Orders also find that the Banks failed to adequately assess the risks associated with their FX traders participating in the fixing of certain FX benchmark rates and lacked adequate internal controls in order to prevent improper communications by traders. In addition, the Banks lacked sufficient policies, procedures and training specifically governing participation in trading around the FX benchmarks rates; and had inadequate policies pertaining to, or sufficient oversight of, their FX traders' use of chat rooms or other electronic messaging.

According to the Orders, some of this conduct occurred during the same period that the Banks were on notice that the CFTC and other regulators were investigating attempts by certain banks to manipulate the London Interbank Offered Rate (LIBOR) and other interest rate benchmarks. The Commission has taken enforcement action against UBS and RBS (among other banks and inter-dealer brokers) in connection with LIBOR and other interest rate benchmarks. (See information below).

The Orders recognize the significant cooperation of Citibank, HSBC, JPMorgan, RBS, and UBS with the CFTC during the investigation of this matter. In the UBS Order, the CFTC also recognizes that UBS was the first bank to report this misconduct to the CFTC.

In related matters, the United Kingdom Financial Conduct Authority (FCA) issued Final Notices regarding enforcement actions against the Banks and imposing collectively penalties of £1,114,918,000 (approximately \$1.7 billion), and the Swiss Financial Market Authority (FINMA) has issued an order resolving proceedings against and requiring disgorgement from UBS AG.

The CFTC thanks and acknowledges the invaluable assistance of the U.S. Department of Justice, the Federal Bureau of Investigation, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, the FCA, and FINMA.

CFTC Division of Enforcement staff members responsible for these cases are Robert Howell, Jonathan Huth, Traci Rodriguez, Jennifer Smiley, David Terrell, Melissa Glasbrenner, Heather Johnson, Jordon Grimm, Elizabeth Streit, and Gretchen L. Lowe.

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With these Orders, since June 2012, the CFTC has imposed penalties of over \$3.34 billion on entities relating to acts of attempted manipulation, completed manipulation, and/or false reporting with respect to global benchmarks. *See In re Lloyds' Banking Group, PLC*, CFTC Docket No. 14-18 (July 28, 2014)(\$105 million)(CFTC Press Release [6966-14](#)); *In re RP Martin Holdings Limited and Martin Brokers (UK) Ltd.*, CFTC Docket No. 14-16 (May 15, 2014) (\$1.2 Million penalty) (CFTC Press Release [6930-14](#)); *In re Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank)*, CFTC Docket No. 14-02, (October 29, 2013) (\$475 Million penalty) (CFTC Press Release [6752-13](#)); *In re ICAP Europe Limited*, CFTC Docket No. 13-38 (September 25, 2013) (\$65 Million penalty) (CFTC Press Release [6708-13](#)); *In re The Royal Bank of Scotland plc and RBS Securities Japan Limited*, CFTC Docket No. 13-14 (February 6, 2013) (\$325 Million penalty) (CFTC Press Release [6510-13](#)); *In re UBS AG and UBS Securities Japan Co., Ltd.*, CFTC Docket No. 13-09 (December 19, 2012) (\$700 Million penalty) (CFTC Press Release [6472-12](#)); *In re Barclays PLC, Barclays Bank PLC, and Barclays Capital Inc.*, CFTC Docket No. 12-25 (June 27, 2012) (\$200 million penalty) (CFTC Press Release [6289-12](#)). In these actions, the CFTC ordered each institution to undertake specific steps to ensure the integrity and reliability of the benchmark interest rates.

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