Department of Justice

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FIVE MAJOR BANKS AGREE TO PARENT-LEVEL GUILTY PLEAS

Citicorp, JPMorgan Chase & Co., Barclays PLC, The Royal Bank of Scotland plc Agree to Plead Guilty In Connection With The Foreign Exchange Market and Agree to Pay More Than $2.5 Billion In Criminal Fines

UBS AG Agrees to Plead Guilty to Manipulating LIBOR; Admits its Conduct in Foreign Exchange Market Breached Its Non-Prosecution Agreement Resolving the LIBOR Investigation and Agrees to Pay $203 Million

WASHINGTON – Five major banks – Citicorp, JPMorgan Chase & Co., Barclays PLC, The Royal Bank of Scotland plc and UBS AG – have agreed to plead guilty to felony charges. Citicorp, JPMorgan Chase & Co., Barclays PLC, The Royal Bank of Scotland plc have agreed to plead guilty to conspiring to manipulate the price of U.S. dollars and euros exchanged in the foreign currency exchange (FX) spot market and the banks have agreed to pay criminal fines totaling more than $2.5 billion. A fifth bank, UBS AG, has agreed to plead guilty to manipulating the London Interbank Offered Rate (LIBOR) and other benchmark interest rates and pay a $203 million criminal penalty, after breaching its December 2012 non-prosecution agreement resolving the LIBOR investigation.

Attorney General Loretta E. Lynch, Assistant Attorney General Bill Baer of the Justice Department's Antitrust Division, Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division, Assistant Director in Charge Andrew G. McCabe of the FBI's Washington Field Office and Director Aitan Goelman of the Commodity Futures Trading Commission's Division made the announcement.

"Today's historic resolutions are the latest in our ongoing efforts to investigate and prosecute financial crimes, and they serve as a stark reminder that this Department of Justice intends to vigorously prosecute all those who tilt the economic system in their favor; who subvert our marketplaces; and who enrich themselves at the expense of American consumers," said Attorney General Lynch. "The penalty these banks will now pay is fitting considering the long-running and egregious nature of their anticompetitive conduct. It is commensurate with the pervasive harm done. And it should deter competitors in the future from chasing profits without regard to fairness, to the law, or to the public welfare."

"The charged conspiracy fixed the U.S. dollar – euro exchange rate, affecting currencies that are at the heart of international commerce and undermining the integrity and the competitiveness of foreign currency exchange markets which account for hundreds of billions of dollars worth of transactions every day," said Assistant Attorney General Baer. "The seriousness of the crime warrants the parent-level guilty pleas by Citicorp, Barclays, JPMorgan and RBS."

"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," said Assistant Attorney General Caldwell. "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."

"These resolutions make clear that the U.S. Government will not tolerate criminal behavior in any sector of the financial markets," said Assistant Director in Charge McCabe. "This investigation represents another step in the FBI's ongoing efforts to find and stop those responsible for complex financial schemes for their own personal benefit. I commend the special agents, forensic accountants, and analysts, as well as the prosecutors for the significant time and resources they committed to investigating this case."

According to plea agreements to be filed in the District of Connecticut, between December 2007 and January 2013, euro-dollar traders at Citicorp, JPMorgan, Barclays and RBS – self-described members of "The Cartel" – used an exclusive electronic chat room and coded language to manipulate benchmark exchange rates. Those rates are set through, among other ways, two major daily "fixes," the 1:15 p.m. European Central Bank fix and the 4:00 p.m. World Markets/Reuters fix. Third parties collect trading data at these times to calculate and publish a daily "fix rate," which in turn is used to price orders for many large customers. "The Cartel" traders coordinated their trading of U.S. dollars and euros to manipulate the benchmark rates set at the 1:15 p.m. and 4:00 p.m. fixes in an effort to increase their profits.

As detailed in the plea agreements, these traders also used their exclusive electronic chats to manipulate the euro-dollar exchange rate in other ways. Members of "The Cartel" manipulated the euro-dollar exchange rate by agreeing to withhold bids or offers for euros or dollars to avoid moving the exchange rate in a direction adverse to open positions held by co-conspirators. By agreeing not to buy or sell at certain times, the traders protected each other's trading positions by withholding supply of or demand for currency and suppressing competition in the FX market.

Citicorp, Barclays, JPMorgan and RBS each have agreed to plead guilty to a one-count felony charge of conspiring to fix prices and rig bids for U.S. dollars and euros exchanged in the FX spot market in the United States and elsewhere. Each bank has agreed to pay a criminal fine proportional to its involvement in the conspiracy:

- Citicorp, which was involved from as early as December 2007 until at least January 2013, has agreed to pay a fine of $925 million;
- Barclays, which was involved from as early as December 2007 until July 2011, and then from December 2011 until August 2012, has agreed to pay a fine of $650 million;

- JPMorgan, which was involved from at least as early as July 2010 until January 2013, has agreed to pay a fine of $550 million; and
- RBS, which was involved from at least as early as December 2007 until at least April 2010, has agreed to pay a fine of $395 million.

Barclays has further agreed that its FX trading and sales practices and its FX collusive conduct constitute federal crimes that violated a principal term of its June 2012 non-prosecution agreement resolving the department's investigation of the manipulation of LIBOR and other benchmark interests rates. Barclays has agreed to pay an additional $60 million criminal penalty based on its violation of the non-prosecution agreement.

In addition, according to court documents to be filed, the Justice Department has determined that UBS's deceptive currency trading and sales practices in conducting certain FX market transactions, as well as its collusive conduct in certain FX markets, violated its December 2012 non-prosecution agreement resolving the LIBOR investigation. The department has declared UBS in breach of the agreement, and UBS has agreed to plead guilty to a one-count felony charge of wire fraud in connection with a scheme to manipulate LIBOR and other benchmark interest rates. UBS has also agreed to pay a criminal penalty of $203 million.

According to the factual statement of breach attached to UBS's plea agreement, UBS engaged in deceptive FX trading and sales practices after it signed the LIBOR non-prosecution agreement, including undisclosed markups added to certain FX transactions of customers. UBS traders and sales staff misrepresented to customers on certain transactions that markups were not being added, when in fact they were. On other occasions, UBS traders and sales staff used hand signals to conceal those markups from customers. On still other occasions, certain UBS traders also tracked and executed limit orders at a level different from the customer's specified level in order to add undisclosed markups. In addition, according to court documents, a UBS FX trader conspired with other banks acting as dealers in the FX spot market by agreeing to restrain competition in the purchase and sale of dollars and euros. UBS participated in this collusive conduct from October 2011 to at least January 2013.

In declaring UBS in breach of its non-prosecution agreement, the Justice Department considered UBS's conduct described above in light of UBS's obligation under the non-prosecution agreement to commit no further crimes. The department also considered UBS's three recent prior criminal resolutions and multiple civil and regulatory resolutions. Further, the department also considered that UBS's post-LIBOR compliance and remediation efforts failed to detect the illegal conduct until an article was published pointing to potential misconduct in the FX markets.

Citicorp, Barclays, JPMorgan, RBS and UBS have each agreed to a three-year period of corporate probation, which, if approved by the court, will be overseen by the court and require regular reporting to authorities as well as cessation of all criminal activity. All five banks will continue cooperating with the government's ongoing criminal investigations, and no plea agreement prevents the department from prosecuting culpable individuals for related misconduct. Citicorp, Barclays, JPMorgan and RBS have agreed to send disclosure notices to all of their customers and counter-parties that may have been affected by the sales and trading practices described in the plea agreements.

Today, in connection with its FX investigation, the Federal Reserve also announced that it was imposing on the five banks fines of over $1.6 billion; and Barclays settled related claims with the New York State Department of Financial Services (DFS), the Commodity Futures Trading Commission (CFTC) and the United Kingdom's Financial Conduct Authority (FCA) for an additional combined penalty of approximately $1.3 billion. In conjunction with previously announced settlements with regulatory agencies in the United States and abroad, including the Office of the Comptroller of the Currency (OCC) and the Swiss Financial Market Supervisory Authority (FINMA), today's resolutions bring the total fines and penalties paid by these five banks for their conduct in the FX spot market to nearly $9 billion.

This investigation is being conducted by the FBI's Washington Field Office. This prosecution is being handled by the Antitrust Division's New York Office and other criminal enforcement sections and the Criminal Division's Fraud Section. The Justice Department appreciates the substantial assistance provided by the CFTC, OCC, FINMA, FCA, Securities and Exchange Commission, Federal Reserve Bank, the U.K. Serious Fraud Office and the New York State Department of Financial Services. The Criminal Division's Office of International Affairs and the U.S. Attorney's Office in the District of Connecticut have also provided assistance in this matter.

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