



Department of Justice



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THREE FORMER RABOBANK TRADERS CHARGED WITH MANIPULATING YEN LIBOR

WASHINGTON – Two former Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) Japanese Yen derivatives traders and the trader responsible for setting Rabobank's Yen London InterBank Offered Rate (LIBOR) were charged as part of the ongoing criminal investigation into the manipulation of LIBOR.

Acting Assistant Attorney General Mythili Raman of the Justice Department's Criminal Division, Deputy Assistant Attorney General Brent Snyder of the Justice Department's Antitrust Division and Assistant Director in Charge Valerie Parlave of the FBI's Washington Field Office made the announcement.

Earlier today, a U.S. Magistrate Judge sitting in the Southern District of New York signed a criminal complaint charging Paul Robson of the United Kingdom, Paul Thompson of Australia, and Tetsuya Motomura of Japan with conspiracy to commit wire fraud and bank fraud as well as substantive counts of wire fraud. All are former employees of Rabobank, which on Oct. 29, 2013, entered into a deferred prosecution agreement with the Department of Justice as part of the department's LIBOR investigation and agreed to pay a \$325 million penalty. Each defendant faces up to 30 years in prison for each count upon conviction.

“Today, less than three months after Rabobank admitted its involvement in the manipulation of LIBOR, we have charged three of its senior traders with participating in this global fraud scheme,” said Acting Assistant Attorney General Raman. “As alleged, these three traders – working from Japan, Singapore and the U.K. – deliberately submitted what they called ‘obscenely high’ or ‘silly low’ LIBOR rates in order to benefit their own trading positions. The illegal manipulation of this cornerstone benchmark rate undermines the integrity of the markets; it harms those who are relying on what they expect to be an honest benchmark; and it has ripple effects that extend far beyond the trading at issue here. The Justice Department has now charged eight individuals and reached resolutions with four multi-national banks as part of our ongoing and industry-wide LIBOR probe and, alongside our law enforcement and regulatory partners both here and abroad, we remain committed to continuing to root out this misconduct.”

“The conspirators charged today conspired to rig the interest rates used by derivative products throughout the financial industry to benefit their own trading books,” said Deputy Assistant Attorney General Snyder. “Today’s charges demonstrate the department’s commitment

to hold individuals accountable for schemes that undermine the integrity of markets that rely on competition to flourish.”

“Manipulation of benchmark rates that are routinely referenced by financial products around the world erodes the integrity of our financial markets,” said Assistant Director in Charge Parlave. “The charges against these individuals represent another step in our ongoing efforts to find and stop those who hide behind complex corporate and securities fraud schemes. 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 the complaint, LIBOR is an average interest rate, calculated based on submissions from leading banks around the world, reflecting the rates those banks believe they would be charged if borrowing from other banks. LIBOR is published by the British Bankers’ Association (BBA), a trade association based in London. At the time relevant to the criminal complaint, LIBOR was calculated for 10 currencies at 15 borrowing periods, known as maturities, ranging from overnight to one year. The published LIBOR “fix” for Yen LIBOR at a specific maturity is the result of a calculation based upon submissions from a panel of 16 banks, including Rabobank.

LIBOR serves as the primary benchmark for short-term interest rates globally and is used as a reference rate for many interest rate contracts, mortgages, credit cards, student loans and other consumer lending products. The Bank of International Settlements estimated that as of the second half of 2009, outstanding interest rate contracts were valued at approximately \$450 trillion.

According to allegations in the complaint, all three defendants traded in derivative products that referenced Yen LIBOR. Robson worked as a senior trader at Rabobank’s Money Markets and Short Term Forwards desk in London; Thompson was Rabobank’s head of Money Market and Derivatives Trading Northeast Asia and worked in Singapore; and Motomura was a senior trader at Rabobank’s Tokyo desk who supervised money market and derivative traders employed at Rabobank’s Tokyo desk. In addition to trading derivative products that referenced Yen LIBOR, Robson also served as Rabobank’s primary submitter of Yen LIBOR to the BBA.

Robson, Thompson and Motomura each entered into derivatives contracts containing Yen LIBOR as a price component. The profit and loss that flowed from those contracts was directly affected by the relevant Yen LIBOR on certain dates. If the relevant Yen LIBOR moved in the direction favorable to the defendants’ positions, Rabobank and the defendants benefitted at the expense of the counterparties. When LIBOR moved in the opposite direction, the defendants and Rabobank stood to lose money to their counterparties.

The complaint alleges that from about May 2006 to at least January 2011, Robson, Thompson, Motomura and others agreed to make false and fraudulent Yen LIBOR submissions for the benefit of their trading positions. According to the allegations, sometimes Robson submitted rates at a specific level requested by a co-defendant and consistent with the co-defendant’s trading positions. Other times, Robson made a higher or lower Yen LIBOR submission consistent with the direction requested by a co-defendant and consistent with the co-

defendant's trading positions. On those occasions, Robson's manipulated Yen LIBOR submissions were to the detriment of, among others, Rabobank's counterparties to derivative contracts.

In addition to allegedly manipulating Rabobank's Yen LIBOR submissions, Robson, on occasion and on behalf of one or more co-defendants, coordinated his Yen LIBOR submission with the trader responsible for making Yen LIBOR submissions at another Yen LIBOR panel bank. At times, Robson allegedly submitted Yen LIBOR at a level requested by the other trader, and, at other times, that trader submitted Yen LIBOR at a level requested by Robson.

As alleged in the complaint, Thompson, Motomura and another Rabobank trader described in the complaint as Trader-R made requests of Robson for Yen LIBOR submissions through electronic chats and email exchanges. For example, on May 19, 2006, after Thompson informed Robson that his net exposure for his 3-month fixes was 125 billion Yen, he requested by email that Robson "sneak your 3m libor down a cheeky 1 or 2 bp" because "it will make a bit of diff for me." On or about May 19, 2006, Robson responded: "No prob mate I mark it low."

On Sept. 21, 2007, Trader-R asked Robson by email, "where do you think today's libors are? If you can I would like 1mth higher today." Robson responded, "bookies reckon .85," to which Trader-R replied, "I have some fixings in 1mth so would appreciate if you can put it higher mate." Robson answered, "no prob mate let me know your level." After Trader-R asked for "0.90% for 1mth," Robson confirmed, "sure no prob[] I'll probably get a few phone calls but no worries mate... there's bigger crooks in the market than us guys!"

As another example, on Aug. 4, 2008, in a Bloomberg chat, Motomura asked Robson, "Please set today's 6mth LIBOR at 0.96 I have chunky fixing." To this, Robson responded, "no worries mate."

The complaint alleges that Robson accommodated the requests of his co-defendants. For example, on Sept. 21, 2007, after Robson received a request from Trader-R for a high 1 month Yen LIBOR, Rabobank submitted a 1-month Yen LIBOR rate of 0.90, which was 7 basis points higher than the previous day and 5 basis points above where Robson said that "bookies" predicted it, and which moved Rabobank's submission from the middle to the highest of the panel.

According to court documents, the defendants were also aware that they were making false or fraudulent Yen LIBOR submissions. For example, on May 10, 2006, Robson admitted in an email that "it must be pretty embarrassing to set such a low libor. I was very embarrassed to set my 6 mth – but wanted to help thomo [Thompson]. tomorrow it will be more like 33 from me." At times, Robson referred to the submissions that he submitted on behalf of his co-defendants as "ridiculously high" and "obscenely high," and acknowledged that his submissions would be so out of line with the other Yen LIBOR panel banks that he might receive a phone call about them from the BBA or Thomson Reuters.

A criminal complaint is a formal accusation of criminal conduct, not evidence. A defendant is presumed innocent unless and until convicted.

The investigation is being conducted by special agents, forensic accountants, and intelligence analysts in the FBI's Washington Field Office. The prosecution is being handled by Trial Attorneys Carol L. Sipperly, Brian Young and Alexander H. Berlin of the Criminal Division's Fraud Section, and Trial Attorneys Ludovic C. Ghesquiere and Michael T. Koenig of the Antitrust Division. Former Deputy Chief Glenn Leon and Senior Counsel Rebecca Rohr of the Criminal Division's Fraud Section, along with Assistant Chief Elizabeth Prewitt and Trial Attorneys Eric Schlee and Richard Powers of the Antitrust Division, have also provided valuable assistance. The Criminal Division's Office of International Affairs has provided assistance in this matter as well.

The broader investigation relating to LIBOR and other benchmark rates has required, and has greatly benefited from, a diligent and wide-ranging cooperative effort among various enforcement agencies both in the United States and abroad. The Justice Department acknowledges and expresses its deep appreciation for this assistance. In particular, the Commodity Futures Trading Commission's Division of Enforcement referred this matter to the department and, along with the U.K. Financial Conduct Authority, has played a major role in the LIBOR investigation. The department has worked closely with the Dutch Public Prosecution Service and the Dutch Central Bank in the investigation of Rabobank. Various agencies and enforcement authorities from other nations are also participating in different aspects of the broader investigation relating to LIBOR and other benchmark rates, and the department is grateful for their cooperation and assistance. In particular, the Securities and Exchange Commission has played a significant role in the LIBOR series of investigations, and the department expresses its appreciation to the United Kingdom's Serious Fraud Office for its assistance and ongoing cooperation.

This prosecution is part of efforts underway by President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets and recover proceeds for victims of financial crimes. For more information about the task force visit: www.stopfraud.gov.

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