



Department of Justice



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**FORMER RABOBANK LIBOR SUBMITTER PLEADS GUILTY
FOR SCHEME TO MANIPULATE YEN LIBOR**

*Defendant is Second Former Rabobank Employee
to Plead Guilty in LIBOR Rigging Scandal*

WASHINGTON – A former Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) Japanese Yen London InterBank Offered Rate (LIBOR) submitter pleaded guilty today for his role in a conspiracy to commit wire and bank fraud by manipulating Rabobank's Yen LIBOR submissions to benefit trading positions.

Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division, Deputy Assistant Attorney General Brent Snyder of the Justice Department's Antitrust Division and Acting Assistant Director in Charge Timothy A. Gallagher of the FBI's Washington Field Office made the announcement.

Paul Robson, a citizen of the United Kingdom, appeared before United States District Judge Jed S. Rakoff in the Southern District of New York and pleaded guilty to count one of a 15-count indictment returned by a federal grand jury in the Southern District on April 28, 2014. Sentencing is scheduled for June 9, 2017.

"Paul Robson is the second employee at Rabobank, one of the world's largest banks, to plead guilty to participating in a global fraud scheme," said Assistant Attorney General Caldwell. "The scope of the fraud was massive, but the scheme was simple. By illegally influencing the LIBOR rates, Robson and his coconspirators rigged the markets to ensure that their trades made money. Robson's conviction demonstrates the Department of Justice's continued resolve to hold individuals and institutions accountable for their involvement in fraud in the financial markets."

"Today's guilty plea demonstrates our continuing resolve to prosecute those who fraudulently manipulated the LIBOR rate for their own personal benefit and, in doing so, undermined free and fair markets," said Deputy Assistant Attorney General Snyder.

"Fraudulently manipulating the LIBOR has far reaching effects on international financial markets and such criminal activity will not be tolerated," said Acting Assistant Director in Charge Gallagher. "The Washington Field Office has committed significant time and resources including the expertise of Special Agents, forensic accountants and analysts to investigate this

case along with our Department of Justice colleagues. While the crimes committed are complex, their expertise demonstrates our ability to bring justice to those that choose to commit these crimes.”

Robson, along with former Rabobank Yen LIBOR derivatives traders Paul Thompson, of Australia, and Tetsuya Motomura, of Japan, was charged with conspiracy to commit wire and bank fraud as well as substantive counts of wire fraud. The indictment also alleges that the conspiracy involved numerous additional, unnamed individuals and entities. Among those individuals and entities are:

- Takayuki Yagami (described in the indictment as Trader-R), a Japanese national and former Rabobank trader who pleaded guilty on June 10, 2014, in the Southern District of New York to one count of conspiracy to commit wire and bank fraud for his involvement in the conspiracy alleged in the indictment; and
- Lloyds Banking Group plc (LBG), a U.K.-based bank that, as part of a deferred prosecution agreement filed in the United States District Court for the District of Connecticut on July 28, 2014, admitted wrongdoing in connection with the alleged conspiracy’s overt acts, and agreed to pay an \$86 million penalty.

According to court documents, 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 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.

At the time relevant to the charges, LIBOR was published by the British Bankers’ Association (BBA), a trade association based in London. 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.

Rabobank entered into a deferred prosecution agreement with the Department of Justice on Oct. 29, 2013, and agreed to pay a \$325 million penalty to resolve violations arising from Rabobank’s LIBOR submissions.

According to court documents, Robson worked as a senior trader at Rabobank’s Money Markets and Short Term Forwards desk in London and also served as Rabobank’s primary submitter of Yen LIBOR to the BBA; Thompson was Rabobank’s head of Money Market and Derivatives Trading Northeast Asia and worked in Singapore; Motomura was a senior trader at Rabobank’s Tokyo desk who supervised money market and derivative traders; and Yagami worked as a senior trader at Rabobank’s Money Market/FX Forwards desks in Tokyo and elsewhere in Asia.

Robson's main role in the conspiracy was to submit Yen LIBOR rates at the requests of traders, including Thompson, Motomura and Yagami, who 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.

As alleged in court filings, from about May 2006 to at least January 2011, the four defendants, a Yen LIBOR submitter at LBG, and others agreed to make false and fraudulent Yen LIBOR submissions for the benefit of selected trading positions. According to the allegations, sometimes Robson submitted rates at a specific level requested by a co-defendant or other traders, and at other times Robson made a higher or lower Yen LIBOR submission consistent with the direction requested by a co-defendant or other traders.

For example, according to court filings, on Sept. 21, 2007, Yagami 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 Yagami 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 Yagami 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!"

Robson admitted that he accommodated the requests of his co-defendants and other traders. For example, on Sept. 21, 2007, after Robson allegedly received a request from Yagami for a high one-month Yen LIBOR, Rabobank submitted a one-month Yen LIBOR rate of 0.90, which was seven basis points higher than the previous day and five 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 to Yagami 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.

On numerous occasions, Robson also passed along such requests to the LBG submitter, who altered LBG's Yen LIBOR submission accordingly if doing so did not adversely affect selected trading positions at LBG. Likewise, the LBG setter sent requests to Robson and he generally altered Rabobank's Yen LIBOR to satisfy the requests. For example, on July 28, 2006, Robson wrote to the LBG submitter: "morning skipper.....will be setting an obscenely high 1m again today...poss 38 just fyi." The LBG submitter responded: "(K)...oh dear..my poor customers.....hehehe!! manual input libors again today then!!!!" Both banks' submissions on July

28 moved up one basis point, from 0.37 to 0.38. As the LBG submitter explained, according to court documents filed in connection with Rabobank's deferred prosecution agreement, to other LBG submitters, "We usually try and help each other out...but only if it suits."

The charges in the indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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 Senior Litigation Counsel Carol L. Sipperly and Trial Attorney Brian R. Young of the Criminal Division's Fraud Section, and Trial Attorney Michael T. Koenig of the Antitrust Division. The Criminal Division's Office of International Affairs has provided assistance in this matter.

The Justice Department expresses its appreciation for the assistance provided by various enforcement agencies in the United States and abroad. 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 Securities and Exchange Commission also 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. 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.

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.com.

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