Department of Justice

FOR IMMEDIATE RELEASE
THURSDAY, APRIL 23, 2015
WWW.JUSTICE.GOV

CRM, AT
(202) 514-2007
TTY 1-866-544-5309

DEUTSCHE BANK'S LONDON SUBSIDIARY AGREES TO PLEAD GUILTY IN CONNECTION WITH LONG-RUNNING MANIPULATION OF LIBOR

Deutsche Bank AG and DB Group Services (UK) Limited Will Pay $775 Million in Criminal Penalties

WASHINGTON – DB Group Services (UK) Limited, a wholly owned subsidiary of Deutsche Bank AG (Deutsche Bank), has agreed to plead guilty to wire fraud for its role in manipulating the London Interbank Offered Rate (LIBOR), a leading benchmark interest rate used in financial products and transactions around the world. In addition, Deutsche Bank entered into a deferred prosecution agreement to resolve wire fraud and antitrust charges in connection with its role in both manipulating U.S. Dollar LIBOR and engaging in a price-fixing conspiracy to rig Yen LIBOR. Together, Deutsche Bank and its subsidiary will pay $775 million in criminal penalties to the Justice Department.

Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division, Assistant Attorney General Bill Baer of the Justice Department's Antitrust Division and Assistant Director in Charge Andrew G. McCabe of the FBI's Washington Field Office made the announcement.

DB Group Services (UK) Limited has agreed to plead guilty to one count of wire fraud, and to pay a $150 million fine, for engaging in a scheme to defraud counterparties to interest rate derivatives trades by secretly manipulating U.S. Dollar LIBOR contributions.

In addition, Deutsche Bank entered into a deferred prosecution agreement today and admitted its role in manipulating LIBOR and participating in a price-fixing conspiracy in violation of the Sherman Act by rigging Yen LIBOR contributions with other banks. The agreement requires the bank to continue cooperating with the Justice Department in its ongoing investigation, to pay a $625 million penalty beyond the fine imposed upon DB Group Services (UK) Limited and to retain a corporate monitor for the three-year term of the agreement.

Together with approximately $1.744 billion in regulatory penalties and disgorgement—$800 million as a result of a Commodity Futures Trading Commission (CFTC) action, $600 million as a result of a New York Department of Financial Services (DFS) action, and $344 million as a result of a U.K. Financial Conduct Authority (FCA) action—the Justice

Department's criminal penalties bring the total amount of penalties to approximately $2.519 billion.

"For years, employees at Deutsche Bank illegally manipulated interest rates around the globe – including LIBORs for U.S. Dollar, Yen, Swiss Franc and Pound Sterling, as well as EURIBOR – in the hopes of fraudulently moving the market to generate profits for their traders at the expense of the bank's counterparties," said Assistant Attorney General Caldwell. "Deutsche Bank is the sixth major financial institution that has admitted its misconduct in this wide-ranging criminal investigation, and today's criminal resolution represents the largest penalty to date in the LIBOR investigation."

"Deutsche Bank secretly conspired with its competitors to rig the benchmark interest rates at the heart of the global financial system," said Assistant Attorney General Baer. "Deutsche Bank's misconduct not only harmed its unsuspecting counterparties, it undermined the integrity and the competitiveness of financial markets everywhere."

"Deutsche Bank admitted to manipulating benchmark interest rates in currencies around the globe in order to benefit trading positions," said Assistant Director in Charge McCabe. "This wide reaching investigation represents yet another step in the FBI's ongoing effort to find and stop those who deliberately participate in complex financial crimes to further their own bottom line."

Deutsche Bank was a member of the panel of banks whose submissions were used to calculate the LIBORs for a number of currencies, including U.S. Dollar, Yen, Pound Sterling and Swiss Franc LIBOR, as well as EURIBOR (the Euro Interbank Offered Rate).

According to the agreements, from at least 2003 through early 2011, numerous Deutsche Bank derivatives traders—whose compensation was directly connected to their success in trading financial products tied to LIBOR—engaged in efforts to move these benchmark rates in a direction favorable to their trading positions. Specifically, the derivatives traders requested that LIBOR submitters at Deutsche Bank and other banks submit contributions favorable to trading positions, rather than rates that complied with the definition of LIBOR. Through these schemes, Deutsche Bank defrauded counterparties who were unaware of the manipulation. Deutsche Bank admitted that the conduct affected the resulting LIBOR fix on various occasions.

Deutsche Bank further admitted that its employees engaged in this misconduct through face-to-face requests, electronic communications, which included both emails and electronic chats, and telephone calls. For example, in an electronic chat on March 22, 2005, a Deutsche Bank U.S. Dollar LIBOR submitter explained how he would manipulate the rate for a trader in New York, stating, "if you need something in particular in the libors i.e. you have an interest in a high or a low fix let me know and there's a high chance i'll be able to go in a different level. Just give me a shout the day before or send an email from your blackberry first thing."

In another example described in the statement of facts, on May 17, 2006, the supervisor of LIBOR submissions in London received a request from a trader in New York asking, "If you can help we can use a high 3m fix tom." The supervisor replied to the trader and a U.S. Dollar

LIBOR submitter, “I’m off but [submitter] is your libor man [] [submitter] could you take a look at 3s libor in the morning for [trader].” The submitter agreed to accommodate the request, replying, “Will do chaps.” The following morning, after he submitted the bank’s contribution, the submitter wrote to the trader, “I went in at 19+ for the 3m libor, as you’ll see it almost manage to reach 19.”

In an example from March 2007, a trader thanked one of Deutsche Bank’s EURIBOR submitters for his help in successfully manipulating EURIBOR, saying in an electronic chat: “Great job on this [Submitter], we can do more of this stuff,” to which the submitter replied, “WE CAN MY FRIEND. WE CAN….” Later that day, the submitter bragged about Deutsche Bank’s manipulation by offices in Frankfurt and London in an email to the head of Deutsche Bank’s Global Finance Unit: “HAVE U SEEN THE 3MK FIXING TODAY? THAT WAS AN EXCELLENT CONCERTED ACTION FFT/LDN. CHEERS.”

Deutsche Bank also admitted to working with other banks to manipulate LIBOR contributions. For instance, in a May 2009 electronic chat exchange, a UBS trader asked a Deutsche Bank trader, “cld you do me a favour would you mind moving you 6m libor up a bit today, i have a gigantic fix. . .” The Deutsche Bank trader agreed. The next day, the Deutsche Bank trader confirmed that the Yen LIBOR submission had been beneficial to the UBS trader, asking “u happy with me yesterday?” The UBS trader acknowledged, “thx.”

By entering into a deferred prosecution agreement with Deutsche Bank, the Justice Department took several factors into consideration, including that Deutsche Bank’s cooperation with the government’s investigation was often helpful but also fell short in some important respects. The department also considered the extensive remedial measures undertaken by Deutsche Bank’s management and its enhanced compliance program. Deutsche Bank has agreed to continue cooperating with the government’s investigation, and the agreement does not prevent the Justice Department from prosecuting culpable individuals for related misconduct. The documents will be filed in federal court in the District of Connecticut.

The Justice Department has previously announced resolutions with five other banks for their roles in manipulation of benchmark interest rates, including Barclays Bank PLC, UBS AG, The Royal Bank of Scotland plc, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) and Lloyds Banking Group plc. The department has also charged 12 individuals as a result of this investigation, and three of those individuals have pleaded guilty. The pending charges are merely accusations, and the defendants are considered innocent unless and until proven guilty.

This ongoing investigation is being conducted by special agents, forensic accountants and intelligence analysts of the FBI’s Washington Field Office. The prosecution of Deutsche Bank is being handled by Assistant Chief Jennifer L. Saulino and Trial Attorney Alison L. Anderson of the Criminal Division’s Fraud Section and Trial Attorney Richard A. Powers of the Antitrust Division’s New York Field Office. Deputy Chief Benjamin D. Singer and Assistant Chief Sandra Moser of the Criminal Division’s Fraud Section, Trial Attorney Daniel Tracer of the Antitrust Division’s New York Office, Assistant U.S. Attorneys Liam Brennan and Christopher

Mattei of the District of Connecticut and the Criminal Division's Office of International Affairs have also provided valuable assistance in this matter.

The investigation leading to these cases 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 CFTC's Division of Enforcement referred this matter to the department and, along with the FCA, has played a major role in the investigation. The Securities and Exchange Commission has also played a significant role in the LIBOR series of investigations. Various agencies and enforcement authorities in the United States and from other nations, including the United Kingdom's Serious Fraud Office, BaFIN and the European Central Bank, 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.gov.

# # #

15-499