



Department of Justice



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RABOBANK ADMITS WRONGDOING IN LIBOR INVESTIGATION, AGREES TO PAY \$325 MILLION CRIMINAL PENALTY

WASHINGTON – Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank) has entered into an agreement with the Department of Justice to pay a \$325 million penalty to resolve violations arising from Rabobank’s submissions for the London InterBank Offered Rate (LIBOR) and the Euro Interbank Offered Rate (Euribor), which are leading benchmark interest rates around the world, the Justice Department announced today.

A criminal information will be filed today in U.S. District Court for the District of Connecticut that charges Rabobank as part of a deferred prosecution agreement (DPA). The information charges Rabobank with wire fraud for its role in manipulating the benchmark interest rates LIBOR and Euribor. In addition to the \$325 million penalty, the DPA requires the bank to admit and accept responsibility for its misconduct as described in an extensive statement of facts. Rabobank has agreed to continue cooperating with the Justice Department in its ongoing investigation of the manipulation of benchmark interest rates by other financial institutions and individuals.

“For years, employees at Rabobank, often working with traders at other banks around the globe, illegally manipulated four different interest rates – Euribor and LIBOR for the U.S. dollar, the yen, and the pound sterling – in the hopes of fraudulently moving the market to generate profits for their traders at the expense of the bank’s counterparties,” said Acting Assistant Attorney General Mythili Raman of the Justice Department’s Criminal Division. “Today’s criminal resolution – which represents the second-largest penalty in the Criminal Division’s active, ongoing investigation of the manipulation of global benchmark interest rates by some of the largest banks in the world – comes fast on the heels of charges brought against three former ICAP brokers just last month. Rabobank is the fourth major financial institution that has admitted its misconduct in this wide-ranging criminal investigation, and other banks should pay attention: our investigation is far from over.”

“Rabobank rigged multiple benchmark rates, allowing its traders to reap higher profits at the expense of their unsuspecting counterparties,” said Deputy Assistant Attorney General Leslie C. Overton of the Justice Department’s Antitrust Division. “Not only was this conduct fraudulent, it compromised the integrity of globally-used interest rate benchmarks – undermining financial markets worldwide.”

“Rabobank admitted to manipulating LIBOR and Euribor submissions which directly affected the rates referenced by financial products held by and on behalf of companies and investors around the world,” said Assistant Director in Charge Valerie Parlave of the FBI’s Washington Field Office. “Rabobank’s actions resulted in the deliberate harm to counterparties holding products referencing the manipulated rates. Today’s announcement is yet another example of the tireless efforts of the FBI special agents and forensic accountants who are dedicated to investigating complex fraud schemes and, together with prosecutors, bringing to justice those who participate in such schemes.”

Together with approximately \$740 million in criminal and regulatory penalties imposed by other agencies in actions arising out of the same conduct – \$475 million by the Commodity Futures Trading Commission (CFTC) action, \$170 million by the U.K. Financial Conduct Authority (FCA) action and approximately \$96 million by the Openbaar Ministerie (the Dutch Public Prosecution Service) – the Justice Department’s \$325 million criminal penalty brings the total amount to be paid by Rabobank to more than \$1 billion.

According to signed documents, LIBOR is an average interest rate, calculated based upon submissions from leading banks around the world and 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.

LIBOR is published by the British Bankers’ Association (BBA), a trade association based in London. At the time relevant to the conduct in the criminal information, LIBOR was calculated for 10 currencies at 15 borrowing periods, known as maturities, ranging from overnight to one year. The LIBOR for a given currency at a specific maturity is the result of a calculation based upon submissions from a panel of banks for that currency (the Contributor Panel) selected by the BBA. From at least 2005 through 2011, Rabobank was a member of the Contributor Panel for a number of currencies, including United States dollar (dollar) LIBOR, pound sterling LIBOR, and yen LIBOR.

The Euro Interbank Offered Rate (Euribor) is published by the European Banking Federation (EBF), which is based in Brussels, Belgium, and is calculated at 15 maturities, ranging from overnight to one year. Euribor is the rate at which Euro interbank term deposits within the Euro zone are expected to be offered by one prime bank to another at 11:00 a.m. Brussels time. The Euribor at a given maturity is the result of a calculation based upon submissions from Euribor Contributor Panel banks. From at least 2005 through 2011, Rabobank was also a member of the Contributor Panel for Euribor.

According to the statement of facts accompanying the agreement, from as early as 2005 through at least November 2010, certain Rabobank derivatives traders requested that certain Rabobank dollar LIBOR, yen LIBOR, pound sterling LIBOR, and Euribor submitters submit LIBOR and Euribor contributions that would benefit the traders’ trading positions, rather than rates that complied with the definitions of LIBOR and Euribor.

In addition, according to the statement of facts accompanying the agreement, from as early as January 2006 through October 2008, a Rabobank yen LIBOR submitter and a Rabobank Euribor submitter had two separate agreements with traders at other banks to make yen LIBOR and Euribor submissions that benefitted trading positions, rather than submissions that complied with the definitions of LIBOR and Euribor.

The Rabobank LIBOR and Euribor submitters accommodated traders' requests on numerous occasions, and on various occasions, Rabobank's submissions affected the fixed rates.

According to the statement of facts, Rabobank employees engaged in this conduct through electronic communications, which included both emails and electronic chats. For example, on Sept. 21, 2007, a Rabobank Yen derivatives trader emailed the Rabobank Yen LIBOR submitter at the time with the subject line "libors," writing: "Wehre do you think today's libors are? If you can, I would like 1mth libors higher today." The submitter replied: "Bookies reckon 1m sets at .85." The trader wrote back: "I have some fixings in 1 mth so would appreciate if you can put it higher mate." The submitter replied: "No prob mate let me know your level." The trader responded: "Wud be nice if you could put 0.90% for 1mth cheers." The submitter wrote back: "Sure no prob. I'll probably get a few phone calls but no worries mate!" The trader replied: "If you may get a few phone calls then put 0.88% then." The submitter responded: "Don't worry mate – there's bigger crooks in the market than us guys!" That day, as requested, Rabobank's 1-month Yen LIBOR submission was 0.90, an increase of seven basis points from its previous submission, whereas the other panel banks' submissions decreased by approximately a half of a basis point on average. Rabobank's submission went from being tied as the tenth highest submission on the Contributor Panel on the previous day to being the highest submission on the Contributor Panel.

On Nov. 29, 2006, a Rabobank dollar derivatives trader wrote to Rabobank's Global Head of Liquidity and Finance and the head of Rabobank's money markets desk in London, who supervised rate submitters: "Hi mate, low 1s high 3s LIBOR pls !!! Dont tell [another Rabobank U.S. Dollar derivatives trader] haa haaaaaaa. Sold the market today doooooohhhh!" The money markets desk head replied: "ok mate , will do my best ...speak later." After the LIBOR submissions that day, Rabobank's ranking compared to other panel banks dropped as to 1-month dollar LIBOR and rose as to 3-month dollar LIBOR. Two days later, on Dec. 1, 2006, the trader again wrote to the money markets desk head: "Appreciate 3s go down, but a high 3s today would be nice... cheers chief." The money markets desk head wrote back: "I am fast turning into your LIBOR bitch!!!!" The trader replied: "Just friendly encouragement that's all , appreciate the help." The money markets desk head wrote back: "No worries mate , glad to helpWe just stuffed ourselves with good ol pie , mash n licker !!"

In an example of an agreement with traders at other banks, on July 28, 2006, a Rabobank rate submitter and Rabobank trader discussed their mutual desires for a high fixing. The submitter stated to the trader: "setting a high 1m again today - I need it!" to which the trader responded: "yes pls mate...I need a higher 1m libor too." Within approximately 20 minutes, the submitter contacted a trader at another Contributor Panel bank and wrote: "morning skipper.....will be setting an obscenely high 1m again today...poss 38 just fyi." The other bank's trader 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, a move which placed their submissions as the second highest submissions on the Contributor Panel that day.

As another example, on July 7, 2009, a Rabobank trader wrote to a former Rabobank yen LIBOR submitter: “looks like some ppl are talking with each other when they put libors down. . . quite surprised that 3m libors came down a lot.” The former submitter replied: “yes deffinite manipulation – always is tho to be honest mate. . . i always used to ask if anyone needed a favour and vise versa. . . . a little unethical but always helps to have friends in mrkt.”

By entering into a DPA with Rabobank, the Justice Department took several factors into consideration, including that Rabobank has no history of similar misconduct and has not been the subject of any criminal enforcement actions or any significant regulatory enforcement actions by any authority in the United States, the Netherlands, or elsewhere. In addition, Rabobank has significantly expanded and enhanced its legal and regulatory compliance program and has taken extensive steps to remediate the misconduct. Significant remedies and sanctions are also being imposed on Rabobank by several regulators and an additional criminal law enforcement agency (the Dutch Public Prosecution Service).

This ongoing investigation is being conducted by special agents, forensic accountants, and intelligence analysts of the FBI’s Washington Field Office. The prosecution of Rabobank is being handled by Assistant Chief Glenn S. Leon and Trial Attorney Alexander H. Berlin of the Criminal Division’s Fraud Section and Trial Attorneys Ludovic C. Ghesquiere, Michael T. Koenig and Eric L. Schleef of the Antitrust Division. Deputy Chiefs Daniel Braun and William Stellmach of the Criminal Division’s Fraud Section, Criminal Division Senior Counsel Rebecca Rohr, Assistant Chief Elizabeth B. Prewitt and Trial Attorney Richard A. Powers of the Antitrust Division’s New York Office, and Assistant U.S. Attorneys Eric Glover and Liam Brennan of the U.S. Attorney’s Office for the District of Connecticut, along with Criminal Division’s Office of International Affairs, have 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 department has also worked closely with the Dutch Public Prosecution Service and De Nederlandsche Bank (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 investigation, 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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