



Department of Justice



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## **RBS SECURITIES JAPAN LTD SENTENCED FOR MANIPULATION OF YEN LIBOR**

WASHINGTON – RBS Securities Japan Limited, a wholly owned subsidiary of The Royal Bank of Scotland plc (RBS) that engages in investment banking operations with its principal place of business in Tokyo, Japan, was sentenced today for its role in manipulating the Japanese Yen London Interbank Offered Rate (LIBOR), a leading benchmark used in financial products and transactions around the world.

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.

RBS Securities Japan was sentenced by U.S. District Judge Michael P. Shea in the District of Connecticut. RBS Securities Japan pleaded guilty on April 12, 2013, to one count of wire fraud for its role in manipulating Yen LIBOR benchmark interest rates. RBS Securities Japan signed a plea agreement with the government in which it admitted its criminal conduct and agreed to pay a \$50 million fine, which the court accepted in imposing sentence. In addition, RBS plc, the Edinburgh, Scotland-based parent company of RBS Securities Japan, entered into a deferred prosecution agreement (DPA) with the government requiring RBS plc to pay an additional \$100 million penalty, to admit and accept responsibility for its misconduct as set forth in an extensive statement of facts and to continue cooperating with the Justice Department in its ongoing investigation. The DPA reflects RBS plc’s cooperation in disclosing LIBOR misconduct within the financial institution and recognizes the significant remedial measures undertaken by new management to enhance internal controls.

Together with approximately \$462 million in regulatory penalties and disgorgement – \$325 million as a result of a Commodity Futures Trading Commission (CFTC) action and approximately \$137 million as a result of a U.K. Financial Conduct Authority (FCA) action – the Justice Department’s criminal penalties bring the total amount of the resolution with RBS and RBS Securities Japan to approximately \$612 million.

“Today’s sentencing of RBS is an important reminder of the significant consequences facing banks that deliberately manipulate financial benchmark rates, and it represents one of the numerous enforcement actions taken by the Justice Department in our ongoing LIBOR investigation” said Acting Assistant Attorney General Raman. “As a result of the department’s

investigation, we have charged five individuals and secured admissions of criminal wrongdoing by four major financial institutions. Our enforcement actions have had a lasting impact on the global banking system, and we intend to continue to vigorously investigate and prosecute the manipulation of this cornerstone benchmark rate.”

“By colluding to manipulate the Yen LIBOR benchmark interest rate, RBS Securities Japan reaped higher profits for itself at the expense of unknowing counterparties, and in the process undermined the integrity of a major benchmark rate used in financial transactions throughout the world,” said Deputy Assistant Attorney General Snyder. “Today’s sentence, in conjunction with the department’s agreement with parent company RBS, demonstrates the Antitrust Division’s commitment to prosecuting these types of far-reaching and sophisticated conspiracies.”

“The manipulation of LIBOR impacts financial products the world over, and erodes the integrity of the financial markets,” said Assistant Director in Charge Parlave. “Without a level playing field in our financial marketplace, banks and investors do not have a threshold to which they can measure their hard work. 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 court documents, LIBOR is an average interest rate, calculated based upon 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.

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.

According to the plea agreement, at various times from at least 2006 through 2010, certain RBS Securities Japan Yen derivatives traders engaged in efforts to move LIBOR in a direction favorable to their trading positions, defrauding RBS counterparties who were unaware of the manipulation affecting financial products referencing Yen LIBOR. The scheme included efforts to manipulate more than one hundred Yen LIBOR submissions in a manner favorable to RBS Securities Japan’s trading positions. Certain RBS Securities Japan Yen derivatives traders, including a manager, engaged in this conduct in order to benefit their trading positions and thereby increase their profits and decrease their losses.

The prosecution of RBS Securities Japan is being handled by Deputy Chief Patrick Stokes and Trial Attorney Gary Winters of the Criminal Division’s Fraud Section, and New

York Office Assistant Chief Elizabeth Prewitt and Trial Attorneys Eric Schleef and Richard Powers of the Antitrust Division. Deputy Chiefs Daniel Braun and William Stellmach and Trial Attorney Alex Berlin of the Criminal Division's Fraud Section, Trial Attorneys Daniel Tracer and Kristina Srica of the Antitrust Division, Jeremy Verlinda of the Antitrust Division's Economic Analysis Group, Assistant U.S. Attorneys Eric Glover and Liam Brennan of the U.S. Attorney's Office for the District of Connecticut, and the Criminal Division's Office of International Affairs have also provided valuable assistance in this matter. The investigation is being conducted by special agents, forensic accountants and intelligence analysts of the FBI's Washington Field Office.

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. 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](http://www.stopfraud.gov).

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