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Deutsche Bank to Pay \$800 Million Penalty to Settle CFTC Charges of Manipulation, Attempted Manipulation, and False Reporting of LIBOR and Euribor

The Fine Imposed on Deutsche Bank Represents the Largest Fine in CFTC's History

With Today's Action, the CFTC Has Imposed over \$4 Billion in Penalties against 13 Banks and Brokers to Address LIBOR and FX Benchmark Abuses

Washington, DC - The U.S. Commodity Futures Trading Commission (CFTC) today issued an Order against **Deutsche Bank AG** (Deutsche Bank) bringing and settling charges that Deutsche Bank routinely engaged in acts of false reporting and attempted manipulation and, at times, succeeded in manipulating the London Interbank Offered Rate (LIBOR) for U.S. Dollar, Yen, Sterling, and Swiss Franc, and the Euro Interbank Offered Rate (Euribor), interest rate benchmarks critical to the U.S. and global financial markets. Deutsche Bank is also charged with aiding and abetting, at times, the attempts of traders at other banks to manipulate Yen LIBOR and Euribor. The CFTC Order finds that Deutsche Bank, through its traders and benchmark submitters, engaged in this manipulative conduct to benefit cash and derivatives trading positions that were priced off of LIBOR or Euribor.

This Order requires Deutsche Bank to pay a civil monetary penalty of \$800 million, cease and desist from its violations of the Commodity Exchange Act, and adhere to specific undertakings to ensure the integrity of its LIBOR and Euribor and other benchmark interest rate submissions in the future.

Aitan Goelman, CFTC Director of Enforcement, commented: "Today's action against Deutsche Bank reflects the CFTC's unwavering commitment to protect the integrity of critical, global financial benchmarks from profit-driven traders willing to falsify market information to gain an edge over others. As reflected in the CFTC's findings and the \$800 million penalty imposed, Deutsche Bank's culture allowed such egregious and pervasive misconduct to thrive. We will be relentless in continuing to investigate and bring benchmark manipulation cases until such time as those involved in setting these benchmarks get the message that manipulation will not be tolerated, and the public can be confident in the integrity of these benchmarks."

The CFTC Order specifically finds that over a more than six-year period, from at least 2005 through early 2011 (the relevant period), and across currencies, Deutsche Bank's submitters routinely took into account other Deutsche Bank traders' derivatives trading positions, as well as their own cash and derivatives trading positions, when making the bank's LIBOR and Euribor submissions. The conduct of Deutsche Bank's submitters, traders, desk managers, and at least one senior manager was systemic and pervasive, occurring across multiple trading desks and offices located in London, Frankfurt, New York, Tokyo (a subsidiary of Deutsche Bank), and Singapore.

According to the Order, the cash and derivatives trading on the desks responsible for Deutsche Bank's misconduct increased throughout the relevant period and the desks generated significant revenues for Deutsche Bank, particularly during the global financial crisis of 2007 through 2009.

The Order further finds that Deutsche Bank allowed submitters and traders to prioritize profit motives over appropriate submission considerations, permitted a culture of trader self-interest to exist, and created conflicts of interest, which allowed the misconduct to occur. For example, certain managers encouraged continual information sharing between derivatives traders, money market traders, and submitters for the various benchmarks, even restructuring business lines such that derivatives traders and submitters sat together in the London office.

In this environment, traders often shouted their requests for beneficial submissions across the trading floor to the submitters. A senior manager regularly sat with the traders and encouraged them and their counterparts in other offices to communicate and exchange trading positions, so submitters became clearly aware of the submissions that were most favorable to the various desks' trading positions. Senior desk managers in London, Frankfurt, New York, and the Tokyo subsidiary of Deutsche Bank also made requests to benefit their own trading positions, facilitated their traders' requests for beneficial submissions, and promoted the profit-driven submission practices to help the traders increase profits and minimize losses on their and the desk's trading positions.

Despite the obvious conflict of interest, Deutsche Bank allowed at times its traders who primarily traded derivatives, such as its Yen derivatives trader, to be responsible for the Bank's submissions, thus making it easy to skew the bank's submissions to benefit their own positions and to accommodate the requests of their fellow derivatives traders. These practices continued even after the British Bankers' Association, the trade association responsible for the issuance of LIBOR, clarified in June 2008 that submissions should not be made by persons responsible for a bank's derivatives trading book, but rather should be made by persons responsible for the management of the bank's cash. Deutsche Bank's Yen derivatives trader used his dual role as trader and submitter to assist the senior yen trader at UBS in his massive scheme to manipulate Yen LIBOR over the same relevant period.

The Order finds that Deutsche Bank lacked internal controls, procedures, and policies concerning its LIBOR and Euribor submission processes, and failed to adequately supervise its trading desks and traders to ensure that Deutsche Bank's LIBOR and Euribor submissions reflected an honest assessment of the costs of borrowing unsecured funds in the interbank markets. These failures amplified the potential for misconduct and permitted the misconduct to continue for a number of years.

Deutsche Bank's misconduct occurred even after the CFTC's Division of Enforcement requested in April 2010, that Deutsche Bank conduct an internal investigation of its U.S. Dollar LIBOR submission practices. Deutsche Bank did not make meaningful improvements in its internal controls until mid-2011, and did not formalize a policy about conflicts of interest among traders and submitters relating to benchmark submissions until February 2013.

In accepting Deutsche Bank's Offer, the Commission recognized the Bank's cooperation with the Division of Enforcement's investigation of this matter, but noted that at the outset of the investigation in April 2010 and continuing until mid-2011, Deutsche Bank's cooperation was not sufficient, which affected, in part, a timely resolution of this matter. After mid-2011, Deutsche Bank provided significant cooperation and assistance to the Division of Enforcement.

In related actions by the U.S. Department of Justice (DOJ), DB Group Services UK Limited, a subsidiary of Deutsche Bank AG, agreed to plead guilty to a criminal charge of wire fraud; Deutsche Bank AG entered into a deferred prosecution agreement whereby it would continue to cooperate with the U.S. Department of Justice in exchange for the deferral of criminal wire fraud and antitrust charges; and Deutsche Bank collectively accepted a penalty of \$775 million. In addition, the United Kingdom Financial Conduct Authority (FCA) issued a Final Notice regarding its enforcement action against Deutsche Bank AG and imposed a penalty of £226.8 million (approximately \$340 million), and the New York State Department of Financial Services announced that Deutsche Bank AG will pay a \$600 million penalty, terminate individual employees who engaged in misconduct, and install a monitor for violations of New York law.

The CFTC acknowledges the valuable assistance of the DOJ, the Washington Field Office of the Federal Bureau of Investigation, the FCA, the Japanese Financial Services Agency, and Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

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With this Order, the CFTC has now imposed penalties of nearly \$2.7 billion on six financial institutions and two interdealer brokers for LIBOR, Euribor, and other interest rate benchmark abuses. In addition, for similar misconduct relating to foreign exchange benchmarks, the CFTC recently imposed \$1.4 billion on five financial institutions, for a total of over \$4.1 billion in penalties in the CFTC's enforcement program focused on ensuring the integrity of global financial benchmarks. The fine imposed on Deutsche Bank represents the largest fine in the CFTC's history.

Interest Rate Benchmark Cases

- *In re UBS AG and UBS Securities Japan Co., Ltd.*, CFTC Docket No. 13-09 (December 19, 2012) (\$700 Million penalty) (CFTC Press Release [6472-12](#));
- *In re Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank)*, CFTC Docket No. 14-02, (October 29, 2013) (\$475 Million penalty) (CFTC Press Release [6752-13](#));
- *In re The Royal Bank of Scotland plc and RBS Securities Japan Limited*, CFTC Docket No. 13-14 (February 6, 2013) (\$325 Million penalty) (CFTC Press Release [6510-13](#));
- *In re Barclays PLC, Barclays Bank PLC, and Barclays Capital Inc.*, CFTC Docket No. 12-25 (June 27, 2012) (\$200 Million penalty) (CFTC Press Release [6289-12](#)); and
- *In re Lloyds Banking Group plc and Lloyds Bank plc*, CFTC Docket No. 14-18 (July 28, 2014) (\$105 Million penalty), (CFTC Press Release [6966-14](#)).
- *In re ICAP Europe Limited*, CFTC Docket No. 13-38 (September 25, 2013) (\$65 Million penalty) (CFTC Press Release [6708-13](#));
- *In re RP Martin Holdings Limited and Martin Brokers (UK) Ltd.*, CFTC Docket No. 14-16 (May 15, 2014) (\$1.2 Million penalty) (CFTC Press Release [6930-14](#))

Foreign Exchange Benchmark Cases

- *In re Citibank, N.A.*, CFTC Docket No. 15-03 (November 11, 2014) (\$310 Million penalty) (CFTC Press Release [7056-14](#));
- *In re JPMorgan Chase Bank, N.A.*, CFTC Docket No. 15-04 (November 11, 2014) (\$310 Million penalty) (CFTC Press Release [7056-14](#));
- *In re The Royal Bank of Scotland plc*, CFTC Docket No. 15-05 (November 11, 2014) (\$290 Million penalty) (CFTC Press Release [7056-14](#));

- *In re UBS AG*, CFTC Docket No. 15-06) (November 11, 2014) (\$290 Million penalty) (CFTC Press Release [7056-14](#));
- *In re HSBC Bank plc*, CFTC Docket No. 15-07) (November 11, 2014) (\$275 Million penalty) (CFTC Press Release [7056-14](#))

In these actions, the CFTC ordered each institution to undertake specific steps to ensure the integrity and reliability of the benchmarks.

CFTC Division of Enforcement staff members responsible for this case are: Anne M. Termine, Jonathan K. Huth, Jason T. Wright, Maura M. Viehmeyer, Philip P. Tumminio, Rishi K. Gupta, Aimée Latimer-Zayets, Timothy M. Kirby (former staff), Elizabeth Padgett, Jordan Grimm, Kassra Goudarzi, Terry Mayo, and Gretchen L. Lowe.

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