

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

In the Matter of:)	
Mark Johnson)	
Former Global Head of FX and Commodities, Americas)	AA-EC-20-81
HSBC Bank USA, N.A.)	
McLean, Virginia)	

NOTICE OF PROHIBITION

To: Mark Johnson, Former Global Head of FX and Commodities, Americas
HSBC Bank USA, N.A., McLean, Virginia

WHEREAS, HSBC Bank USA, N.A., McLean, Virginia (“Bank”) is a national banking association chartered and examined by the Office of the Comptroller of the Currency of the United States of America (“Comptroller”) pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. §§ 1 *et seq.*; and

WHEREAS, Mark Johnson (“Respondent”) has been convicted of crimes involving dishonesty and breach of trust that are punishable by imprisonment for a term exceeding one year under Federal law. On July 19, 2016, the United States issued a criminal complaint (“Complaint”) against Respondent in the United States District Court for the Eastern District of New York, on a felony charge alleging conspiracy to commit wire fraud in violation of 18 U.S.C. § 1349. On July 20, 2016, the Department of Justice issued a press release announcing the Complaint. On August 16, 2016, a Federal Grand Jury in the Eastern District of New York returned an indictment (“Indictment”) against Respondent alleging felony charges of conspiracy to commit wire fraud (18 U.S.C. § 1349) and ten counts of wire fraud. Copies of the Complaint, Press Release, and Indictment are attached hereto as Exhibit 1, Exhibit 2, and Exhibit 3, respectively. On May 20, 2018, a judgment of conviction was entered against Respondent for the above described crimes

charged in the Indictment. The judgment of conviction is no longer subject to appellate review. A copy of the judgment of conviction is attached hereto as Exhibit 4.

WHEREAS, Respondent was serving as Global Head of FX and Commodities, Americas at the Bank at the time the Indictment was issued, and was thereby considered to be an institution-affiliated party as defined in the Federal Deposit Insurance Act, as amended, 12 U.S.C. §§ 1813(u) and 1818(g); and

WHEREAS, the Comptroller adopts and agrees with the Declaration of Deputy Comptroller Mark D. Richardson that the United States' Indictment and judgment of conviction against Respondent for conspiracy to commit wire fraud and wire fraud in connection with an FX transaction, the negative publicity created by the pending criminal action, the serious nature of the charges contained in the Indictment on which Respondent was convicted, the fact that such charges involve dishonesty and breach of trust, and the management position held by Respondent as an officer of the Bank, threaten to impair public confidence in the integrity of the Bank. In particular, for those members of the public who transact business with the Bank, these circumstances threaten to impair their confidence that the transactions will be conducted lawfully and fairly by the Bank; and

WHEREAS, the Comptroller deems it necessary to prohibit the Respondent from further participation in any manner in the conduct of the affairs of the Bank, and additionally prohibit Respondent from further participation in any manner in the conduct of the affairs of any depository institution, pursuant to 12 U.S.C. § 1818(g), in order to protect public confidence in the Bank.

TAKE NOTICE, THEREFORE, that the Comptroller, acting by virtue of the authority conferred by 12 U.S.C. § 1818(g), hereby:

PROHIBITS the Respondent from further participation in any manner in the conduct of the affairs of the Bank, and additionally PROHIBITS the Respondent from further participation in any manner in the conduct of the affairs of any depository institution, EFFECTIVE IMMEDIATELY.

THIS NOTICE OF PROHIBITION is effective upon service and shall remain in effect and enforceable until terminated by the Comptroller.

The Respondent is advised of his right to request, in writing within thirty (30) days of service of this Notice of Prohibition, an opportunity to show at an informal hearing that continued service and continued participation in the conduct of the affairs of the Bank does not threaten to impair public confidence in the Bank.

WITNESS, my hand given at Washington, DC, this 10th day of December 2020.

//s// Digitally Signed, Dated: 2020.12.10

Maryann H. Kennedy
Senior Deputy Comptroller for Large Bank Supervision

Exhibit 1

BS/WMP:MA/CLS/JMK
F. #2016R01012

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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA

- against -

MARK JOHNSON and
STUART SCOTT,

Defendants.

To Be Filed Under Seal

**COMPLAINT AND AFFIDAVIT
IN SUPPORT OF APPLICATION
FOR ARREST WARRANTS**

(18 U.S.C. § 1349)

----- X

EASTERN DISTRICT OF NEW YORK, SS:

FRANCIS L. MACE, being duly sworn, deposes and says that he is the Special Agent in Charge (“SAC”) with the Office of Inspector General, Federal Deposit Insurance Corporation (“FDIC-OIG”), duly appointed according to law and acting as such.

Upon information and belief, in or about and between November 2011 and December 2011, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants MARK JOHNSON and STUART SCOTT, together with others, did knowingly and intentionally conspire to devise a scheme and artifice to defraud the Victim Company, and to obtain money and property from the Victim Company by means of materially false and fraudulent pretenses, representations and promises, and for the purpose of executing such scheme and artifice, to transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds, contrary to Title 18, United States Code, Section 1343.

(Title 18, United States Code, Sections 1349 and 3551 et seq.)

INTRODUCTION

The source of your deponent's information and the grounds for his belief are as follows:

1. I have been a Special Agent at the FDIC-OIG since 2009. I have been the SAC since August 2014. Prior to working at the FDIC-OIG, I worked at the Internal Revenue Service, Criminal Investigation Division for nearly ten years. As part of my duties, I investigate criminal violations relating to white collar crime, including mail, wire and bank fraud, with the objective of protecting FDIC against fraud, waste and abuse. I have investigated numerous matters during the course of which I have conducted physical surveillance, interviewed witnesses, executed court-authorized search warrants and used other investigative techniques to secure relevant information.

2. I have supervised the investigation of wire fraud and conspiracy to commit wire fraud by the defendants MARK JOHNSON and STUART SCOTT, among others. I am familiar with the facts and circumstances of this investigation from, among other things: (a) my supervision of this investigation, (b) discussions with other law enforcement agents involved in this investigation, (c) my review of consensual audio recordings and other electronic communications (including e-mail messages and Bloomberg chats), (d) my review of trading data, (e) my review of reports of interviews prepared by law enforcement agents involved in this investigation, and (f) bank and wire records and public records, among other sources of evidence.

3. Except as explicitly set forth below, I have not distinguished in this affidavit between facts of which I have personal knowledge and facts of which I learned from other law enforcement agents. Because this affidavit is being submitted for the limited purpose

of establishing probable cause to arrest the defendants MARK JOHNSON and STUART SCOTT, I have not set forth each and every fact learned during the course of this investigation. Instead, I have set forth only those facts that I believe are necessary to establish probable cause for the arrest warrants sought herein. In addition, where the contents of documents, or the actions, statements and conversations of others are reported herein, they are reported in sum and substance and in part, except where otherwise indicated. Summaries of recorded conversations are based upon draft transcripts of these conversations, which are subject to revision.

PROBABLE CAUSE

I. The Defendants and the Relevant Entities

4. From approximately 2010 to 2016, the defendant MARK JOHNSON, a citizen of the United Kingdom and resident of London and New York, was the head of global foreign exchange (“FX”) cash trading at HSBC Bank plc, a subsidiary of HSBC Holdings plc (referred to collectively as “HSBC”). JOHNSON supervised HSBC’s worldwide FX cash business.

5. From approximately 1997 to 2014, the defendant STUART SCOTT, a citizen of the United Kingdom and resident of London, was an FX trader, and later a supervisor, at HSBC. In or about April 2011, SCOTT became HSBC’s head of FX cash trading for Europe, the Middle East and Africa (“EMEA”) in London. JOHNSON supervised SCOTT from approximately 2010 to 2014.

6. HSBC was one of the largest banking and financial services institutions in the world, with operations in EMEA, Asia-Pacific and the Americas. HSBC operated a global FX business. HSBC’s three principal FX trading desks were located in New York, London and Hong Kong.

7. Prior to 2011, HSBC provided financial services to the “Victim Company.” In December 2011, HSBC executed an FX spot transaction for the Victim Company in which it converted approximately 3.5 billion U.S. Dollars to British Pounds (the “Victim Company FX Transaction”).

II. Overview of the Fraudulent Scheme

8. From at least in or about November 2011 and continuing until at least in or about December 2011, the defendants MARK JOHNSON and STUART SCOTT, together with others, participated in a scheme to defraud the Victim Company by:

a. Using information provided in confidence to HSBC by the Victim Company (namely, the Victim Company FX Transaction) to purchase Sterling in advance of the transaction, knowing that the transaction would cause the price of Sterling to increase, thereby generating substantial trading profits for HSBC and the defendants (a scheme that is commonly referred to as “front running”) in breach of HSBC’s duty of trust and confidence to the Victim Company;

b. Causing the \$3.5 billion purchase of Sterling to be executed in a manner designed to cause the price of Sterling to spike (commonly referred to as “ramping”) to the benefit of HSBC and the defendants, and at the expense of the Victim Company, despite HSBC’s representations to execute the transaction in the best interests of, and to avoid adverse market impact to, the Victim Company; and

c. Making, and causing to be made, material misrepresentations and omissions to the Victim Company to further the scheme by, among other things, concealing HSBC’s role in the spike in the price of Sterling.

III. Relevant Definitions

9. The “FX market” enabled participants to buy, sell, exchange and speculate on currencies. Participants in the FX market included financial institutions, central banks, hedge funds, investment management firms and corporations.

10. An “FX spot transaction” (sometimes referred to as an “FX transaction”) involved the exchange of a given amount of one currency, such as the U.S. Dollar (“USD” or “Dollar”), for the equivalent amount of another currency, such as the British Pound (“GBP” or “Sterling”), at an agreed upon price.

11. A “currency pair” was the relation of two currencies to each other. The first currency of a currency pair was called the “base” currency, and the second currency was called the “quote” currency. For example, one currency pair was GBP/USD, or Sterling/Dollar. In this pair, GBP was the base currency and USD was the quote currency. An order to buy GBP/USD was an order to buy the base currency (GBP) using the quote currency (USD) as consideration for the transaction. An order to sell a currency pair was an order to sell the base currency (GBP) and to receive the quote currency (USD). For example, GBP/USD 1.5620 meant that one Pound Sterling could be exchanged for 1.5620 Dollars.

12. “Fixes” were benchmark exchange rates. WM/Reuters (“WMR”), a financial services company, published hourly “fix” rates for various currencies. The WMR fix at 4:00 PM London time (the “4 PM fix”) was one of the most widely used fixes in the world.

13. “P-books” was a phrase used by HSBC personnel to refer to internal HSBC accounts allocated to individual HSBC traders that allowed those traders to trade in any currency pair. Revenues generated in P-books accrued to the benefit of HSBC and were taken

into account for purposes of evaluating each trader's performance, promotion potential and compensation.

IV. The Fraudulent Scheme

A. The Bidding Process

14. In approximately 2010, the Victim Company entered into an agreement with another company to sell part of its ownership interest in an Indian subsidiary for approximately \$3.5 billion. Execution of the sale was dependent upon regulatory approval in India. If the sale was approved, the Victim Company planned to convert approximately \$3.5 billion in sale proceeds into Sterling, which it then intended to distribute to its shareholders. In approximately 2011, the Victim Company, assisted by an advisory group (the "Advisor"), asked approximately ten banks, including HSBC, to bid on the right to execute the Victim Company FX Transaction.

15. Prior to providing the banks with the details of the Victim Company FX Transaction in a Request for Proposal ("RFP"), the Victim Company and the Advisor required the banks to enter into a confidentiality agreement that protected the Victim Company's confidential information relating to the Victim Company FX Transaction. In the confidentiality agreement HSBC executed, HSBC agreed to "keep the Confidential Information strictly confidential and not to disclose, sell, trade, publish or otherwise dispose of such Confidential Information . . . or discuss the same with, any third party, other than such duly authorised employees, officers and directors of [HSBC], as are strictly necessary to evaluate the Confidential Information." "Confidential Information" was defined to include "commercial, contractual, corporate and financial information" provided by the Victim Company and specifically included the RFP information.

16. HSBC further agreed to “use the Confidential Information solely for the purposes for which it is provided, details of which are set out in the RFP.” After the confidentiality agreement was fully executed, the Victim Company and the Advisor provided HSBC with the RFP, which contained Confidential Information about the Victim Company FX Transaction.

17. The RFP provided in relevant part that:

The RFP contains confidential information and has been delivered to relationship banks for information only and on the express understanding that (a) they shall keep the information included in the RFP confidential (except to the extent that such information is in the public domain), and (b) use it only for the purpose set out below. Save as specifically agreed in writing by [Victim Company], the RFP must not be copied, reproduced, disclosed, distributed or passed, in whole or in part, to any other person.

The purpose of the RFP is to assist the relationship banks in their analysis of the proposed currency exchange transaction. The RFP should not be used for any other purpose without the prior written consent of [Victim Company].

18. Employees of HSBC who were given access to the Confidential Information were made “insiders” by HSBC to the Victim Company FX Transaction. In or about October 2011, the defendant MARK JOHNSON became an “insider” to the Victim Company FX Transaction. In or about November 2011, the defendant STUART SCOTT also became an “insider” to the Victim Company FX Transaction. As “insiders,” JOHNSON and SCOTT knew they had an obligation not to misuse the Confidential Information, including by front-running.

19. After receiving the RFP for the Victim Company FX Transaction, HSBC employees sought to win the bid for the Victim Company FX Transaction. HSBC’s pitch materials listed the defendant MARK JOHNSON as a member of the HSBC team for the transaction, along with Supervisor 1, the head of corporate structuring for EMEA at that time.

Supervisor 1 represented to the Victim Company and the Advisor that JOHNSON was responsible for managing the market risk associated with the Victim Company FX Transaction.

20. In the pitch materials, HSBC employees made representations to the Victim Company and the Advisor about confidentiality and HSBC's ability to execute the Victim Company FX Transaction at the best possible price and the lowest possible risk for the Victim Company. For example, the written HSBC pitch presentation stated:

- a. "Time to execute is essentially a choice for the company, as HSBC is able to provide one quote for the full amount or even drip feed the market in utmost confidential nature so as to ensure there are no sudden FX moves against the company;"
- b. "HSBC would work with you to ensure best execution [of the Victim Company FX Transaction] during the day"; and
- c. "[I]t is in the interest of the company to manage the process jointly with HSBC in case of undue market volatility. We would like to execute this in the best interest of the company"

B. HSBC Selected to Handle the Victim Company FX Transaction

21. On or about October 18, 2011, the Victim Company, through its Advisor, notified HSBC that it had been selected to handle the Victim Company FX Transaction "because they are the best and [had] acknowledged that they now have the pressure to deliver best execution."

22. Despite knowing that HSBC had represented to the Victim Company that it would execute the transaction in the Victim Company's best interests and keep the Victim Company FX Transaction confidential, the defendants MARK JOHNSON and STUART SCOTT planned to benefit HSBC, and ultimately themselves, at the Victim Company's expense

by (a) using their insider knowledge of the Victim Company FX Transaction to front-run that transaction, and (b) ramping the price of Sterling/Dollar to the benefit of HSBC, and to the detriment of the Victim Company.

23. In a phone call with Victim Company and the Advisor on or about November 28, 2011, the defendants MARK JOHNSON and STUART SCOTT were notified that the Victim Company FX Transaction might occur soon.

24. On that same day, on or about November 28, 2011, in preparation for a call among the Victim Company, the Advisor and HSBC employees, Supervisor 1 gave advice about ramping the market in a manner that would not raise suspicions of the Victim Company or its Advisor. Supervisor 1 stated to the defendant STUART SCOTT during a phone call that, among other things, the Victim Company viewed the Advisor "as an agent in between who will be closely monitoring it when we are doing [the Victim Company FX Transaction], So we don't want . . . to push the market too much high[er] and at the same time we want to make money on this."

25. On or about November 30, 2011, the defendant MARK JOHNSON made a purchase of Sterling in exchange for Euros, which was booked in his P-book. JOHNSON held the Sterling he purchased until the day of the Victim Company FX Transaction, when he sold the currency for a profit to HSBC.

26. On or about December 5, 2011, the defendants MARK JOHNSON and STUART SCOTT received additional information relevant to the timing of the Victim Company FX Transaction, specifically, a news article was circulated to them reporting that the underlying sale by Victim Company of its Indian subsidiary had received regulatory approval.

27. On that same day, on or about December 5, 2011, the defendant MARK JOHNSON traveled to New York. While in New York, JOHNSON directed an FX trader in HSBC's New York office to purchase Sterling in exchange for Dollars, which JOHNSON later sold for a profit to HSBC on the day of the Victim Company FX Transaction. The next day, on or about December 6, 2011, SCOTT purchased Sterling in exchange for Euros, which the defendant STUART SCOTT later sold for a profit to HSBC on the day of the Victim Company FX Transaction.

C. The Execution of the Victim Company FX Transaction

28. On or about December 7, 2011, the Victim Company contacted HSBC about executing the Victim Company FX Transaction on that day. Supervisor 1 arranged for a call at approximately 1:35 PM London time between the Victim Company, the Advisor, Supervisor 1 and the defendants MARK JOHNSON and STUART SCOTT to discuss whether the Victim Company FX Transaction should be executed at the 3 PM fix or the 4 PM fix. Both SCOTT and JOHNSON knew that because there was less liquidity at the 3 PM fix, currency prices at that earlier time were easier to manipulate than prices at the 4 PM fix, so it was advantageous to them and HSBC, and disadvantageous to the Victim Company, to execute the Victim Company FX Transaction at the 3 PM fix.

29. Initially during the December 7, 2011 call, the defendant STUART SCOTT falsely and fraudulently suggested to the Victim Company that the 3 PM fix had more liquidity than the 4 PM fix. When confronted by the Advisor about that assertion, SCOTT falsely and fraudulently stated that the fixes were the same in terms of liquidity. SCOTT then stated there was more volatility at the 4 PM fix and the defendant MARK JOHNSON stated that he "personally would recommend" the 3 PM fix "so there's an element of surprise." SCOTT

further stated that: "That's an excellent point actually, yeah. Because people do look for that, for the significant flows to happen at 4 o'clock and once they get a smell of that or a smell of significant flow going through, they will try to jump in front and start to muck around in the markets."

30. The Victim Company followed the HSBC recommendation to execute the Victim Company FX Transaction at the 3 PM fix.

31. The defendants MARK JOHNSON and STUART SCOTT, anticipating that the execution of the Victim Company FX Transaction by HSBC would drive up the price of Sterling/Dollar, quickly orchestrated front-running purchases of Sterling for HSBC. Specifically, within minutes of the phone call with the Victim Company, SCOTT directed the purchasing of Sterling/Dollar in his P-book. JOHNSON and SCOTT also caused other FX traders at HSBC in both London and New York to purchase Sterling prior to the Victim Company FX Transaction in their P-books. These front-running purchases would and did allow the defendants and others to generate significant profits for HSBC.

32. The Victim Company placed its order with HSBC to buy approximately 2.25 billion Sterling (equivalent to selling approximately \$3.5 billion) in two tranches prior to the 3 PM fix—at roughly 1:51 PM and 2:28 PM London time.

33. The defendants MARK JOHNSON and STUART SCOTT were in communication with each other concerning the execution of the Victim Company FX Transaction. For example, during a consensually recorded phone call at approximately 2:28 PM London time, JOHNSON commented to SCOTT, "Seems that they're starting to bite," in reference to the Victim Company's orders. In response, SCOTT stated, "full amount" (indicating that the Victim Company had authorized the full order of 2.25 billion Sterling).

JOHNSON then responded, "No, you're kidding?" SCOTT then re-confirmed that Victim Company had indeed authorized the full purchase, to which JOHNSON replied "Ohhhh, f***ing Christmas."

34. During a consensually recorded phone call at approximately 2:54 PM London time, the defendants MARK JOHNSON and STUART SCOTT discussed the Victim Company FX Transaction again. During that call, the defendants discussed how high they could "ramp" the price of Sterling/Dollar before the Victim Company would "squeal." HSBC "ramped" the price Sterling/Dollar by aggressively trading before and during the fix in a manner designed to increase the price of Sterling/Dollar. As a result, the price of Sterling/Dollar spiked at the 3 PM fix. Indeed, the price of Sterling/Dollar at the 3 PM fix was the highest price for Sterling/Dollar that day, allowing JOHNSON, SCOTT and other FX traders at HSBC, to generate significant profits in their P-books from their prior Sterling purchases. Neither JOHNSON nor SCOTT disclosed their own P-book trades or the P-book trades of other FX traders at HSBC in Sterling to the Victim Company.

35. On or about December 7, 2011, the Victim Company and the Advisor monitored the price of Sterling in the FX market in anticipation of the Victim Company FX Transaction. When the Victim Company and the Advisor observed upward movement in the price of Sterling between 2:00 PM and 3:00 PM London time, they questioned Supervisor 1 about these price movements. At approximately 2:45 PM London time, Supervisor 1 told the defendants MARK JOHNSON and STUART SCOTT that the Victim Company was calling at "every uptick" in reference to the price of Sterling. Finally, just after 3:00 PM London time, Supervisor 1 told JOHNSON and SCOTT that he had told the Victim Company that "a Russian name" was buying at the same time as the Victim Company. Accordingly, JOHNSON and

SCOTT knew that the Victim Company had been falsely and fraudulently assured that the upward price movement in Sterling/Dollar was attributable to a “Russian name.”

36. Soon after 3:00 PM London time on December 7, 2011, the defendants MARK JOHNSON and STUART SCOTT, together with others from HSBC, discussed the Victim Company FX Transaction with the Victim Company and the Advisor. JOHNSON and SCOTT, among others, made and caused to be made misrepresentations to the Victim Company and the Advisor to conceal their misconduct with respect to, *inter alia*, the cause of the upward price movement in Sterling/Dollar prior to the 3 PM fix and the timing and manner in which HSBC handled the Victim Company FX Transaction.

37. For example, the defendant STUART SCOTT represented to the Victim Company and the Advisor that the Victim Company FX Transaction went “okay” despite an “initial jump” in the price which he falsely and fraudulently attributed to trading by a Russian bank. Contrary to SCOTT’s representation and as SCOTT well knew, HSBC was responsible for the increase in the price of Sterling/Dollar prior to the Victim Company FX Transaction, not a Russian bank.

38. Additionally, the defendant STUART SCOTT falsely and fraudulently stated to the Victim Company and the Advisor that HSBC began “taking action” in the FX market approximately five minutes prior to the 3 PM fix. Contrary to SCOTT’s assertion, and as SCOTT well knew, HSBC had purposefully been exerting upward pressure through its transactions in the Sterling/Dollar market well prior to 2:55 PM London time.

39. In the days immediately following this discussion, the Victim Company undertook to settle the Victim Company FX Transaction with HSBC, during which process wires sent in furtherance of the scheme were transmitted from the Eastern District of New York

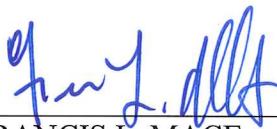
outside the State of New York. In total, HSBC gained approximately \$5,000,000 from its execution of the Victim Company FX Transaction and approximately \$3,000,000 from the P-book trades of the London and New York FX traders.

V. **Conclusion**

WHEREFORE, based on the foregoing, your deponent respectfully requests that arrest warrants be issued for the defendants MARK JOHNSON and STUART SCOTT so that they may be dealt with according to law.

Because public filing of this document could result in a risk of flight by the defendant MARK JOHNSON, as well as jeopardize the government's ongoing investigation, your deponent respectfully requests that this complaint, as well as any arrest warrants issued in connection with this complaint, be filed under seal.

Dated: Brooklyn, New York
July 19, 2016



FRANCIS L. MACE
Special Agent, FDIC-OIG

Sworn to before me this
19th day of July, 2016



THE HONORABLE LOIS BLOOM
UNITED STATES MAGISTRATE JUDGE
EASTERN DISTRICT OF NEW YORK

Exhibit 2

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Wednesday, July 20, 2016

Global Head of HSBC's Foreign Exchange Cash-Trading Desks Arrested for Orchestrating Multimillion-Dollar Front Running Scheme

*Charges Also Unsealed Against Former Head of Foreign Exchange Cash-Trading Desk
for Europe, Middle East and Africa*

The head of global foreign exchange cash trading at HSBC Bank plc, a subsidiary of HSBC Holdings plc (collectively HSBC), and HSBC's former head of foreign exchange cash trading for Europe, the Middle East and Africa were charged with conspiring to defraud a client of HSBC through a scheme commonly referred to as "front running."

Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division, U.S. Attorney Robert L. Capers of the Eastern District of New York, Acting Inspector General Frederick W. Gibson of the Federal Deposit Insurance Corporation (FDIC) and Assistant Director in Charge Paul M. Abbate of the FBI's Washington Field Office made the announcement.

Mark Johnson, 50, a U.K. citizen and U.K. and U.S. resident, and Stuart Scott, 43, a U.K. citizen and resident, were charged by complaint with conspiracy to commit wire fraud. Johnson was arrested last night at JFK International Airport in Queens, New York, and will be arraigned later today before U.S. Magistrate Judge Lois Bloom of the Eastern District of New York.

"The defendants allegedly betrayed their client's confidence, and corruptly manipulated the foreign exchange market to benefit themselves and their bank," said Assistant Attorney General Caldwell. "This case demonstrates the Criminal Division's commitment to hold corporate executives, including at the world's largest and most sophisticated institutions, responsible for their crimes."

"As alleged, the defendants placed personal and company profits ahead of their duties of trust and confidentiality owed to their client, and in doing so, defrauded their client of millions of dollars," said U.S. Attorney Capers. "When questioned by their client about the higher price paid for their significant transaction, the defendants wove a web of lies designed to conceal the truth and divert attention away from their fraudulent trades. The charges and arrest announced today reflect our steadfast commitment to hold accountable corporate executives and licensed professionals who use their positions to fraudulently enrich themselves."

"The Federal Deposit Insurance Corporation Office of Inspector General is pleased to join the Department of Justice and our law enforcement colleagues in announcing this arrest," said Acting Inspector General Gibson. "Our collective efforts help ensure public confidence in the financial markets. It is critically important to hold individuals accountable for their actions, particularly those who abuse their positions of public trust. We will continue to pursue justice for those involved as this case moves forward."

"These individuals are accused of defrauding clients by misusing confidential information to manipulate currency prices for the benefit of the bank and themselves," said Assistant Director in Charge Abbate. "The

FBI will continue to work aggressively with our partners to prevent, investigate and prosecute criminal fraud in the financial markets."

According to the complaint, in November and December 2011, Johnson and Scott misused information provided to them by a client that hired HSBC to execute a foreign exchange transaction related to a planned sale of one of the client's foreign subsidiaries. HSBC was selected to execute the foreign exchange transaction – which was going to require converting approximately \$3.5 billion in sales proceeds into British Pound Sterling – in October 2011. HSBC's agreement with the client required the bank to keep the details of the client's planned transaction confidential. Instead, Johnson and Scott allegedly misused confidential information they received about the client's transaction. On multiple occasions, Johnson and Scott allegedly purchased Pound Sterling for HSBC's "proprietary" accounts, which they held until the client's planned transaction was executed. The complaint alleges that, as part of the scheme, both Johnson and Scott made misrepresentations to the client about the planned foreign exchange transaction that concealed the self-serving nature of their actions. Specifically, the complaint alleges that Johnson and Scott caused the \$3.5 billion foreign exchange transaction to be executed in a manner that was designed to spike the price of the Pound Sterling, to the benefit of HSBC and at the expense of their client. In total, HSBC allegedly generated profits of roughly \$8 million from its execution of the FX Transaction for the Victim Company, including profits generated from the front running conduct by Johnson, Scott, and other traders whom they directed.

The investigation is being conducted by the FDIC's Office of Inspector General and the FBI's Washington Field Office. Trial Attorney Melissa Aoyagi and Senior Litigation Counsel Carol Sipperly of the Criminal Division's Fraud Section and Assistant U.S. Attorney Jacquelyn Kasulis of the Eastern District of New York's Business and Securities Fraud Section are prosecuting the case.

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

The charges in this case were brought in connection with the President's Financial Fraud Enforcement Task Force. The task force was established to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. attorneys' offices and state and local partners, it is the broadest coalition of law enforcement, investigatory and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state and local authorities; addressing discrimination in the lending and financial markets; and conducting outreach to the public, victims, financial institutions and other organizations. Since fiscal year 2009, the Justice Department has filed over 18,000 financial fraud cases against more than 25,000 defendants. For more information on the task force, please visit www.StopFraud.gov.

16-842

Criminal Division
Criminal Fraud
USAO - New York, Eastern

Topic:

Financial Fraud
 Securities, Commodities, & Investment Fraud
 StopFraud

[Download Johnson and Scott filed complaint](#)

Updated August 10, 2016

Exhibit 3

FILED
CLERK

BS/WMP:MA/CLS/JMK
F. #2016R01012

2016 AUG 16 PM 3:03

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

U.S. DISTRICT COURT
EASTERN DISTRICT
OF NEW YORK

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UNITED STATES OF AMERICA

INDICTMENT

- against -

MARK JOHNSON and
STUART SCOTT,

Cr. No. CR 16 - 457
(T. 18, U.S.C., §§ 981(a)(1)(C), 1343,
1349, 2 and 3551 et seq.; T. 21,
U.S.C., § 853(p); T. 28, U.S.C.,
§ 2461(c))

Defendants.

GARAFIS, J.

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THE GRAND JURY CHARGES:

KUO, M.J.

INTRODUCTION

At all times relevant to this Indictment, unless otherwise indicated:

I. The Defendants and the Relevant Entities

1. From approximately 2010 to 2016, the defendant MARK JOHNSON, a citizen of the United Kingdom and resident of London and New York, was the head of global foreign exchange (“FX”) cash trading at HSBC Bank plc, a subsidiary of HSBC Holdings plc (referred to collectively as “HSBC”). JOHNSON supervised HSBC’s worldwide FX cash trading business.

2. From approximately 1997 to 2014, the defendant STUART SCOTT, a citizen of the United Kingdom and resident of London, was an FX trader, and later a supervisor, at HSBC. In or about April 2011, SCOTT became HSBC’s head of FX cash trading for Europe, the Middle East and Africa (“EMEA”) in London. JOHNSON supervised SCOTT from approximately 2010 to 2014.

3. HSBC was one of the largest banking and financial services institutions in the world, with operations in EMEA, Asia-Pacific and the Americas. HSBC operated a global FX cash trading business. HSBC's three principal FX trading desks were located in New York, London and Hong Kong.

4. Prior to 2011, HSBC provided financial services to an oil and gas exploration company (the "Victim Company"), an entity whose identity is known to the Grand Jury. In December 2011, HSBC executed an FX transaction for the Victim Company in which it converted approximately 3.5 billion U.S. Dollars to British Pounds (the "Victim Company FX Transaction").

II. Relevant Definitions

5. The "FX market" enabled participants to buy, sell, exchange and speculate on currencies. Participants in the FX market included financial institutions, central banks, hedge funds, investment management firms and corporations.

6. An "FX spot transaction" (sometimes referred to as an "FX transaction") involved the exchange of a given amount of one currency, such as the U.S. Dollar ("USD" or "Dollar"), for the equivalent amount of another currency, such as the British Pound ("GBP" or "Sterling"), at an agreed upon price.

7. A "currency pair" was the relation of two currencies to each other. The first currency of a currency pair was called the "base" currency, and the second currency was called the "quote" currency. For example, one currency pair was GBP/USD, or Sterling/Dollar. In this pair, GBP was the base currency and USD was the quote currency. An order to buy GBP/USD was an order to buy the base currency (GBP) using the quote currency (USD) to pay for the transaction. An order to sell GBP/USD was an order to sell the base currency (GBP) and

to receive the quote currency (USD). For example, GBP/USD 1.5620 meant that one Pound Sterling could be exchanged for 1.5620 Dollars.

8. “Fixes” were benchmark exchange rates. WM/Reuters (“WMR”), a financial services company, published hourly “fix” rates for various currencies. The WMR fix at 4:00 PM London time (the “4 PM fix”) was one of the most widely used fixes in the world.

9. “P-books” was a phrase used by HSBC personnel to refer to internal HSBC accounts allocated to individual HSBC traders that allowed those traders to trade in any currency pair. Revenues generated in P-books accrued to the benefit of HSBC and were taken into account for purposes of evaluating each trader’s performance, promotion potential and compensation.

III. The Fraudulent Scheme

10. From at least in or about October 2011 and continuing until at least in or about December 2011, the defendants MARK JOHNSON and STUART SCOTT, together with others, participated in a scheme to defraud the Victim Company by:

a. Using information provided in confidence to HSBC by the Victim Company (namely, the details of the Victim Company FX Transaction) to purchase Sterling in advance of the transaction, knowing that the transaction would cause the price of Sterling to increase, thereby generating substantial trading profits for HSBC and the defendants (a scheme that is commonly referred to as “front-running”) in breach of HSBC’s duty of trust and confidence to the Victim Company;

b. Causing the Victim Company FX Transaction to be executed in a manner designed to cause the price of Sterling to spike (commonly referred to as “ramping”) to the benefit of HSBC and the defendants, and at the expense of the Victim Company, despite

HSBC's representations to execute the transaction in the best interests of, and to avoid adverse market impact to, the Victim Company; and

c. Making, and causing to be made, material misrepresentations and omissions to the Victim Company to further the scheme by, among other things, concealing HSBC's role in the spike in the price of Sterling.

A. The Bidding Process

11. In approximately 2010, the Victim Company entered into an agreement with another company to sell part of its ownership interest in an Indian subsidiary for approximately \$3.5 billion. Execution of the sale was dependent upon regulatory approval in India. If the sale was approved, the Victim Company planned to convert approximately \$3.5 billion in sale proceeds into Sterling, which it then intended to distribute to its shareholders. In approximately 2011, the Victim Company, assisted by an advisory group (the "Advisor"), an entity whose identity is known to the Grand Jury, asked approximately ten banks, including HSBC, to bid on the right to execute the Victim Company FX Transaction.

12. Prior to providing the banks with the details of the Victim Company FX Transaction in a Request for Proposal ("RFP"), the Victim Company and the Advisor required the banks to enter into a confidentiality agreement that protected the Victim Company's confidential information relating to the Victim Company FX Transaction. In the confidentiality agreement HSBC executed, HSBC agreed to "keep the Confidential Information strictly confidential and not to disclose, sell, trade, publish or otherwise dispose of such Confidential Information . . . or discuss the same with, any third party, other than such duly authorised employees, officers and directors of [HSBC], as are strictly necessary to evaluate the Confidential Information." "Confidential Information" was defined to include "commercial,

contractual, corporate and financial information” provided by the Victim Company and specifically included the RFP information.

13. HSBC further agreed to “use the Confidential Information solely for the purposes for which it is provided, details of which are set out in the RFP.” After the confidentiality agreement was fully executed, the Victim Company and the Advisor provided HSBC with the RFP, which contained Confidential Information about the Victim Company FX Transaction.

14. The RFP provided in relevant part that:

The RFP contains confidential information and has been delivered to relationship banks for information only and on the express understanding that (a) they shall keep the information included in the RFP confidential (except to the extent that such information is in the public domain), and (b) use it only for the purpose set out below. Save as specifically agreed in writing by [Victim Company], the RFP must not be copied, reproduced, disclosed, distributed or passed, in whole or in part, to any other person.

The purpose of the RFP is to assist the relationship banks in their analysis of the proposed currency exchange transaction. The RFP should not be used for any other purpose without the prior written consent of [Victim Company].

15. Employees of HSBC who were given access to the Confidential Information were made “insiders” by HSBC to the Victim Company FX Transaction. In or about October 2011, the defendant MARK JOHNSON became an “insider” to the Victim Company FX Transaction. In or about November 2011, the defendant STUART SCOTT also became an “insider” to the Victim Company FX Transaction. As “insiders,” JOHNSON and SCOTT knew they had an obligation not to misuse the Confidential Information, including by front-running.

16. After receiving the RFP, HSBC employees sought to win the bid for the Victim Company FX Transaction. HSBC’s pitch materials listed the defendant MARK

JOHNSON as a member of the HSBC team for the transaction, along with the head of corporate structuring for EMEA at that time (“Salesperson 1”), an individual whose identity is known to the Grand Jury.

17. In the pitch materials, HSBC employees made representations to the Victim Company and the Advisor about confidentiality and HSBC’s ability to execute the Victim Company FX Transaction at the best possible price and with the lowest possible risk of financial loss for the Victim Company. For example, the written HSBC pitch presentation stated:

a. “Time to execute is essentially a choice for the company, as HSBC is able to provide one quote for the full amount or even drip feed the market in utmost confidential nature so as to ensure there are no sudden FX moves against the company;”

b. “HSBC would work with you to ensure best execution [of the Victim Company FX Transaction] during the day”; and

c. “[I]t is in the interest of the company to manage the process jointly with HSBC in case of undue market volatility. We would like to execute this in the best interest of the company . . .”

B. HSBC Selected to Handle the Victim Company FX Transaction

18. On or about October 18, 2011, the Victim Company, through its Advisor, notified HSBC that it had been selected to handle the Victim Company FX Transaction “because they are the best and [had] acknowledged that they now have the pressure to deliver best execution.”

19. Despite knowing that HSBC had represented to the Victim Company that it would execute the transaction in a manner consistent with the Victim Company’s best interests

and keep the Victim Company FX Transaction confidential and in breach of HSBC's duty of trust and confidence to the Victim Company, the defendants MARK JOHNSON and STUART SCOTT devised a scheme to benefit HSBC, and ultimately themselves, at the Victim Company's expense by (a) using their insider knowledge of the details of the Victim Company FX Transaction to front-run that transaction, and (b) ramping the price of Sterling/Dollar to the benefit of HSBC, and to the detriment of the Victim Company.

20. In a telephone call with the Victim Company and the Advisor on or about November 28, 2011, the defendants MARK JOHNSON and STUART SCOTT were notified that the Victim Company FX Transaction might occur soon.

21. On that same day, on or about November 28, 2011, in preparation for a call among the Victim Company, the Advisor and HSBC employees, Salesperson 1 gave advice about ramping the market in a manner that would not raise suspicions of the Victim Company or the Advisor. Salesperson 1 stated to the defendant STUART SCOTT during a telephone call that, among other things, the Victim Company viewed the Advisor "as an agent in between who will be closely monitoring it when we are doing [the Victim Company FX Transaction], So we don't want . . . to push the market too much high[er] . . . and at the same time we do want to make money on this."

22. On or about November 30, 2011, the defendant MARK JOHNSON made a purchase of Sterling in exchange for Euros, which was booked in his P-book. JOHNSON held the Sterling he purchased until the day of the Victim Company FX Transaction, when he sold the currency for a profit to HSBC.

23. On or about December 5, 2011, the defendants MARK JOHNSON and STUART SCOTT received additional information regarding the timing of the Victim Company

FX Transaction. Specifically, a news article was circulated to them reporting that the underlying sale by the Victim Company of its Indian subsidiary had received regulatory approval.

24. On that same day, on or about December 5, 2011, the defendant MARK JOHNSON traveled to New York. While in New York, JOHNSON directed an FX trader in HSBC's New York office to purchase Sterling in exchange for Dollars, which JOHNSON later sold for a profit to HSBC on the day of the Victim Company FX Transaction. The next day, on or about December 6, 2011, the defendant STUART SCOTT purchased Sterling in exchange for Euros, which SCOTT later sold for a profit to HSBC on the day of the Victim Company FX Transaction.

C. The Execution of the Victim Company FX Transaction

25. On or about December 7, 2011, the Victim Company contacted HSBC about executing the Victim Company FX Transaction on that day. Salesperson 1 arranged for a call at approximately 1:35 PM London time between the Victim Company, the Advisor, Salesperson 1 and the defendants MARK JOHNSON and STUART SCOTT to discuss whether the Victim Company FX Transaction should be executed at the 3 PM fix or the 4 PM fix. Both SCOTT and JOHNSON knew that it was advantageous to them and HSBC, and disadvantageous to the Victim Company, to execute the Victim Company FX Transaction at the 3 PM fix because there was less liquidity at the 3 PM fix and currency prices at that earlier time were easier to manipulate than prices at the 4 PM fix.

26. During the December 7, 2011 call, the defendant STUART SCOTT falsely and fraudulently suggested to the Victim Company that the 3 PM fix had more liquidity than the 4 PM fix. When confronted by the Advisor about that assertion, SCOTT falsely and fraudulently stated that the fixes were the same in terms of liquidity. SCOTT then stated there was more

trading volatility at the 4 PM fix and the defendant MARK JOHNSON stated that he “personally would recommend” the 3 PM fix “so there’s an element of surprise.” SCOTT further stated that: “That’s an excellent point actually, yeah. Because people do look for that, for the significant flows to happen at 4 o’clock and once they get a smell of that or a smell of significant flow going through, they will try to jump in front and start to muck around in the markets.” The Victim Company followed the HSBC recommendation to execute the Victim Company FX Transaction at the 3 PM fix.

27. The defendants MARK JOHNSON and STUART SCOTT, anticipating that the execution of the Victim Company FX Transaction by HSBC would drive up the price of Sterling/Dollar, quickly orchestrated front-running purchases of Sterling for HSBC. Specifically, within minutes of the December 7, 2011 telephone call with the Victim Company, SCOTT directed the purchasing of Sterling/Dollar in his P-book. JOHNSON and SCOTT also caused other FX traders at HSBC in both London and New York to purchase Sterling prior to the Victim Company FX Transaction in their P-books.

28. On or about December 7, 2011, the Victim Company placed its order with HSBC to buy approximately 2.25 billion Sterling (equivalent to selling approximately \$3.5 billion) in two tranches prior to the 3 PM fix—at approximately 1:51 PM and 2:28 PM London time. JOHNSON and SCOTT were in communication with each other concerning the execution of the Victim Company FX Transaction. For example, during a consensually recorded telephone call at approximately 2:27 PM London time, JOHNSON commented to SCOTT, “Seems that they’re starting to bite,” in reference to the Victim Company’s orders. In response, SCOTT stated, “full amount” (indicating that the Victim Company had authorized the full order of 2.25 billion Sterling). JOHNSON then responded, “No, you’re kidding?” SCOTT then re-confirmed

that the Victim Company had indeed authorized the full purchase, to which JOHNSON replied: “Ohhhh, f***ing Christmas.”

29. During a consensually recorded telephone call at approximately 2:54 PM London time, the defendants MARK JOHNSON and STUART SCOTT discussed the Victim Company FX Transaction again. During that call, JOHNSON and SCOTT discussed how high they could “ramp” the price of Sterling/Dollar before the Victim Company would “squeal.” SCOTT also provided a trader (“Trader 1”), an individual whose identity is known to the Grand Jury, with guidance about how high to push the price of Sterling/Dollar prior to the 3 PM fix, when the Victim Company FX Transaction would be priced. HSBC “ramped” the price Sterling/Dollar by aggressively trading before and during the fix in a manner designed to increase the price of Sterling/Dollar. As a result, the price of Sterling/Dollar spiked around the 3 PM fix. Indeed, in the 30 seconds before and 30 seconds after 3:00 PM London time, the price of Sterling/Dollar reached a market high for the day, allowing JOHNSON, SCOTT and other FX traders at HSBC to generate significant profits in their P-books from their prior Sterling purchases by selling that Sterling at the higher prices generated by HSBC. Neither JOHNSON nor SCOTT disclosed their own P-book trades or the P-book trades of other FX traders at HSBC in Sterling to the Victim Company.

30. On or about December 7, 2011, the Victim Company and the Advisor monitored the price of Sterling in the FX market in anticipation of the Victim Company FX Transaction. When the Victim Company and the Advisor observed upward movement in the price of Sterling between 2:00 PM and 3:00 PM London time, they questioned Salesperson 1 about these price movements. At approximately 2:45 PM London time, Salesperson 1 told the defendants MARK JOHNSON and STUART SCOTT that the Victim Company and the Advisor

were calling at “every uptick” in reference to the price of Sterling. Finally, just after 3:00 PM London time, Salesperson 1 told JOHNSON and SCOTT that he had told the Victim Company and the Advisor that a “[R]ussian name” was buying at the same time as the Victim Company. Accordingly, JOHNSON and SCOTT knew that the Victim Company and the Advisor had been falsely and fraudulently assured that the upward price movement in Sterling/Dollar was attributable to a “[R]ussian name.”

31. Soon after 3:00 PM London time on or about December 7, 2011, the defendants MARK JOHNSON and STUART SCOTT, together with others from HSBC, discussed the Victim Company FX Transaction with the Victim Company and the Advisor. JOHNSON and SCOTT, among others, made and caused to be made misrepresentations to the Victim Company and the Advisor to conceal their misconduct with respect to, among other things, the cause of the upward price movement in Sterling/Dollar prior to the 3 PM fix and the timing and manner in which HSBC handled the Victim Company FX Transaction.

32. For example, the defendant STUART SCOTT represented to the Victim Company and the Advisor that the Victim Company FX Transaction went “okay” despite an “initial jump” in the price, which he falsely and fraudulently attributed to trading by a Russian bank, in reference to the “[R]ussian name” that Salesperson 1 had previously discussed with the Victim Company and the Advisor. Contrary to SCOTT’s representation and as SCOTT well knew, HSBC was responsible for the increase in the price of Sterling/Dollar prior to the Victim Company FX Transaction, not a Russian bank.

33. Additionally, the defendant STUART SCOTT falsely and fraudulently stated to the Victim Company and the Advisor that HSBC began “taking action” in the FX market approximately five minutes prior to the 3 PM fix. Contrary to SCOTT’s assertion, and as

SCOTT well knew, HSBC had purposefully been exerting upward pressure through its transactions in the Sterling/Dollar market well prior to 2:55 PM London time.

34. In the days immediately following this discussion, the Victim Company undertook to settle the Victim Company FX Transaction with HSBC, during which process wires sent in furtherance of the scheme were transmitted from the Eastern District of New York to outside the State of New York. Specifically, the Victim Company settled the Victim Company FX Transaction by transferring U.S. dollars through a U.S. financial institution (“Financial Institution A”), an entity whose identity is known to the Grand Jury, to HSBC. Financial Institution A only accepted and released these funds to HSBC following customary checks and approvals by personnel in Financial Institution A’s offices in Brooklyn, New York. Financial Institution A personnel performed these checks and obtained the requisite approvals from Brooklyn by electronically accessing Financial Institution A’s mainframe, which was located outside the State of New York. Each check and approval occurred through an interstate wire communication between Brooklyn, where Financial Institution A personnel were located at the time, and Financial Institution A’s mainframe, which was located outside the State of New York.

35. In total, HSBC gained approximately \$5,000,000 from its execution of the Victim Company FX Transaction and approximately \$3,000,000 from the P-book trades of the London and New York FX traders.

COUNT ONE
(Conspiracy to Commit Wire Fraud)

36. The allegations set forth in paragraphs one through thirty-five are realleged and incorporated as though fully set forth in this paragraph.

37. In or about and between October 2011 and December 2011, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the

defendants MARK JOHNSON and STUART SCOTT, together with others, did knowingly and intentionally conspire to devise a scheme and artifice to defraud the Victim Company, and to obtain money and property from the Victim Company by means of materially false and fraudulent pretenses, representations and promises, and for the purpose of executing such scheme and artifice, to transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds, contrary to Title 18, United States Code, Section 1343.

(Title 18, United States Code, Sections 1349 and 3551 et seq.)

COUNTS TWO THROUGH ELEVEN
(Wire Fraud)

38. The allegations set forth in paragraphs one through thirty-five are realleged and incorporated as though fully set forth in this paragraph.

39. In or about and between October 2011 and December 2011, both dates being approximate and inclusive, within the Southern District of New York and the Eastern District of New York, the defendants MARK JOHNSON and STUART SCOTT, together with others, did knowingly and intentionally devise a scheme and artifice to defraud the Victim Company, and to obtain money and property from the Victim Company by means of materially false and fraudulent pretenses, representations and promises.

40. On or about the dates specified below, for the purpose of executing such scheme and artifice, the defendants MARK JOHNSON and STUART SCOTT, together with others, transmitted and caused to be transmitted, by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds, as set forth below:

<u>Count</u>	<u>District</u>	<u>On or About Date</u>	<u>Underlying Fund Transfer</u>	<u>Description of Wire</u>
TWO	SDNY	12/7/2011	N/A	Telephone call at approximately 1:35 PM London time involving JOHNSON in New York, New York, and others outside the State of New York in which JOHNSON, SCOTT, and others discussed whether the Victim Company FX Transaction should be executed at the 3 PM fix or the 4 PM fix.
THREE	SDNY	12/7/2011	N/A	Telephone call at approximately 2:27 PM London time involving JOHNSON in New York, New York, and SCOTT outside the State of New York in which JOHNSON and SCOTT discussed that the Victim Company had given HSBC the full order.
FOUR	SDNY	12/7/2011	N/A	Telephone call at approximately 2:54 PM London time involving JOHNSON in New York, New York, and SCOTT outside the State of New York in which JOHNSON and SCOTT discussed how high they could “ramp” the price of Sterling/Dollar before the Victim Company would “squeal.”
FIVE	SDNY	12/7/2011	N/A	Email involving JOHNSON in New York, New York, and others outside the State of New York in which JOHNSON and others discussed that the Victim Company/Advisor was calling at “every uptick” in reference to the price of Sterling and was told that a “[R]ussian name” was buying at the same time as the Victim Company.
SIX	SDNY	12/7/2011	N/A	Telephone call at approximately 3:15 PM London time involving JOHNSON in New York, New York, and others outside the State of New York in which JOHNSON, SCOTT and others discussed the Victim Company FX Transaction.

<u>Count</u>	<u>District</u>	<u>On or About Date</u>	<u>Underlying Fund Transfer</u>	<u>Description of Wire</u>
SEVEN	EDNY	12/7/2011	Incoming fund transfer of approximately \$3.3896 billion to Victim Company's Financial Institution A account.	Wire initiated by Financial Institution A from Brooklyn, New York, to Financial Institution A's mainframe at Location A outside of New York approving underlying fund transfer.
EIGHT	EDNY	12/8/2011	Outgoing fund transfer of approximately \$286.5 million from Victim Company's Financial Institution A account to HSBC.	Wire initiated by Financial Institution A from Brooklyn, New York, to Financial Institution A's mainframe outside the State of New York approving underlying fund transfer.
NINE	EDNY	12/8/2011	Outgoing fund transfer of approximately \$370 million from Victim Company's Financial Institution A account to HSBC.	Wire initiated by Financial Institution A from Brooklyn, New York, to Financial Institution A's mainframe outside of the State of New York approving underlying fund transfer.
TEN	EDNY	12/8/2011	Outgoing fund transfer of approximately \$345 million from Victim Company's Financial Institution A account to HSBC.	Wire initiated by Financial Institution A from Brooklyn, New York, to Financial Institution A's mainframe outside of the State of New York approving underlying fund transfer.
ELEVEN	EDNY	12/8/2011	Outgoing fund transfer of approximately \$390 million from Victim Company's Financial Institution A account to HSBC.	Wire initiated by Financial Institution A from Brooklyn, New York, to Financial Institution A's mainframe outside the State of New York approving underlying fund transfer.

(Title 18, United States Code, Section 1343, 2 and 3551 et seq.)

**CRIMINAL FORFEITURE ALLEGATION
AS TO COUNTS ONE THROUGH ELEVEN**

41. The United States hereby gives notice to the defendants MARK JOHNSON and STUART SCOTT that, upon their conviction of any of the offenses charged in Counts One through Eleven of this Indictment, the government will seek forfeiture in accordance

with Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), which require any persons convicted of such offenses to forfeit any property, real or personal, which constitutes or is derived from proceeds traceable to such offenses.

42. If any of the above-described forfeitable property, as a result of any act or omission of the defendants:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be

subdivided without difficulty; it is the intent of the United States, pursuant to Title 21, United

States Code, Section 853(p), to seek forfeiture of any other property of the defendants up to the value of the forfeitable property described in this forfeiture allegation.

(Title 18, United States Code, Section 981(a)(1)(c); Title 21, United States Code, Section 853(p); Title 28, United States Code, Section 2461(c))

A TRUE BILL

FOREPERSON

Andrew Weissmann
ANDREW WEISSMANN
CHIEF, FRAUD SECTION
CRIMINAL DIVISION

R.L.C.
ROBERT L. CAPERS
UNITED STATES ATTORNEY
EASTERN DISTRICT OF NEW YORK



CR 16 - 457

FILED
CLERK

INFORMATION SHEET

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

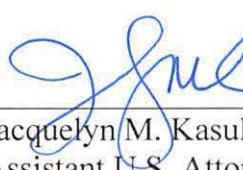
U.S. DISTRICT COURT
EASTERN DISTRICT
OF NEW YORK

2016 AUG 16 PM 3:03
GARAUFIS, J.

1. Title of Case: United States v. Mark Johnson and Stuart Scott
2. Related Magistrate Docket Number(s): 16-M-674
3. Arrest Date: July 19, 2016
4. Nature of offense(s): Felony
 Misdemeanor **KUO, M.J.**
5. Related Cases - Title and Docket No(s). (Pursuant to Rule 50.3.2 of the Local E.D.N.Y. Division of Business Rules): N/A
6. Projected Length of Trial: Less than 6 weeks
More than 6 weeks
7. County in which crime was allegedly committed: Brooklyn
(Pursuant to Rule 50.1(d) of the Local E.D.N.Y. Division of Business Rules)
8. Was any aspect of the investigation, inquiry and prosecution giving rise to the case pending or initiated before March 10, 2012.¹ Yes No
9. Has this indictment/information been ordered sealed? Yes No
10. Have arrest warrants been ordered? Yes No
11. Is there a capital count included in the indictment? Yes No

ROBERT L. CAPERS
UNITED STATES ATTORNEY

By:



Jacquelyn M. Kasulis
Assistant U.S. Attorney
718-254-6103

¹ Judge Brodie will not accept cases that were initiated before March 10, 2012.

Exhibit 4

UNITED STATES DISTRICT COURT

Eastern District of New York

UNITED STATES OF AMERICA) **JUDGMENT IN A CRIMINAL CASE**
 v.)
)
) Case Number: CR 16-0457 (NGG)
 MARK JOHNSON) USM Number: 81220-053
)
) Frank H. Wohl, Esq.
) Defendant's Attorney

THE DEFENDANT:

was convicted by jury verdict on COUNTS ONE (1), TWO (2), FOUR (4), FIVE (5), SIX (6), EIGHT (8), NINE (9), TEN (10) AND ELEVEN (11) OF THE INDICTMENT.

pleaded nolo contendere to count(s) _____ which was accepted by the court.

was found guilty on count(s) _____ after a plea of not guilty.

The defendant is adjudicated guilty of these offenses:

Title & Section	Nature of Offense	Offense Ended	Count
18 U.S.C. § 1349 and 18 U.S.C. § 1343	CONSPIRACY TO COMMIT WIRE FRAUD	12/2011	1
18 U.S.C. § 1343	WIRE FRAUD	12/2011	2, 4-6 & 8-11

The defendant is sentenced as provided in pages 2 through 8 of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

The defendant was found not guilty on Count 3 of the Indictment.

Count 7 of the Indictment was dismissed before trial on the motion of the United States.

Count(s) is are dismissed on the motion of the United States.

It is ordered that the defendant must notify the United States attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid. If ordered to pay restitution, the defendant must notify the court and United States attorney of material changes in economic circumstances.

April 26, 2018
Date of Imposition of Judgment

s/Nicholas G. Garaufis

Signature of Judge

NICHOLAS G. GARAUFIS, U.S.D.J.
Name and Title of Judge

May 10, 2018
Date

DEFENDANT: MARK JOHNSON
CASE NUMBER: CR 16-0457 (NGG)

IMPRISONMENT

The defendant is hereby committed to the custody of the Federal Bureau of Prisons to be imprisoned for a total term of: **TWENTY-FOUR (24) MONTHS (CAG) ON COUNTS ONE (1), TWO (2), FOUR (4), FIVE (5), SIX (6), EIGHT (8), NINE (9), TEN (10) AND ELEVEN (11) OF THE INDICTMENT WHICH SHALL RUN CONCURRENTLY.**

The court makes the following recommendations to the Bureau of Prisons:

THE COURT RECOMMENDS THAT, IF CONSISTENT WITH BUREAU OF PRISONS POLICY AND PRACTICE, THE DEFENDANT BE DESIGNATED TO FEDERAL MEDICAL CENTER, DEVENS, FOR MEDICAL EVALUATION AND TREATMENT, AND THEN TRANSFER HIM TO FEDERAL CORRECTIONAL INSTITUTION, ALLENWOOD LOW, TO SERVE OUT THE REMAINDER OF HIS SENTENCE.

The defendant is remanded to the custody of the United States Marshal.

The defendant shall surrender to the United States Marshal for this district:

at _____ a.m. p.m. on _____ .

as notified by the United States Marshal.

The defendant shall surrender for service of sentence at the institution designated by the Bureau of Prisons:

before 2 p.m. on _____ .

as notified by the United States Marshal.

as notified by the Probation or Pretrial Services Office.

RETURN

I have executed this judgment as follows:

Defendant delivered on _____ to _____

at _____, with a certified copy of this judgment.

UNITED STATES MARSHAL

By _____
DEPUTY UNITED STATES MARSHAL

DEFENDANT: MARK JOHNSON
CASE NUMBER: CR 16-0457 (NGG)

SUPERVISED RELEASE

Upon release from imprisonment, you will be on supervised release for a term of: **THREE (3) YEARS ON COUNTS ONE (1), TWO (2), FOUR (4), FIVE (5), SIX (6), EIGHT (8), NINE (9), TEN (10) AND ELEVEN (11) OF THE INDICTMENT WHICH SHALL RUN CONCURRENTLY.**

MANDATORY CONDITIONS

1. You must not commit another federal, state or local crime.
2. You must not unlawfully possess a controlled substance.
3. You must refrain from any unlawful use of a controlled substance. You must submit to one drug test within 15 days of release from imprisonment and at least two periodic drug tests thereafter, as determined by the court.
 - The above drug testing condition is suspended, based on the court's determination that you pose a low risk of future substance abuse. *(check if applicable)*
4. You must make restitution in accordance with 18 U.S.C. §§ 3663 and 3663A or any other statute authorizing a sentence of restitution. *(check if applicable)*
5. You must cooperate in the collection of DNA as directed by the probation officer. *(check if applicable)*
6. You must comply with the requirements of the Sex Offender Registration and Notification Act (34 U.S.C. § 20901, *et seq.*) as directed by the probation officer, the Bureau of Prisons, or any state sex offender registration agency in the location where you reside, work, are a student, or were convicted of a qualifying offense. *(check if applicable)*
7. You must participate in an approved program for domestic violence. *(check if applicable)*

You must comply with the standard conditions that have been adopted by this court as well as with any other conditions on the attached page.

DEFENDANT: MARK JOHNSON
CASE NUMBER: CR 16-0457 (NGG)

STANDARD CONDITIONS OF SUPERVISION

As part of your supervised release, you must comply with the following standard conditions of supervision. These conditions are imposed because they establish the basic expectations for your behavior while on supervision and identify the minimum tools needed by probation officers to keep informed, report to the court about, and bring about improvements in your conduct and condition.

1. You must report to the probation office in the federal judicial district where you are authorized to reside within 72 hours of your release from imprisonment, unless the probation officer instructs you to report to a different probation office or within a different time frame.
2. After initially reporting to the probation office, you will receive instructions from the court or the probation officer about how and when you must report to the probation officer, and you must report to the probation officer as instructed.
3. You must not knowingly leave the federal judicial district where you are authorized to reside without first getting permission from the court or the probation officer.
4. You must answer truthfully the questions asked by your probation officer.
5. You must live at a place approved by the probation officer. If you plan to change where you live or anything about your living arrangements (such as the people you live with), you must notify the probation officer at least 10 days before the change. If notifying the probation officer in advance is not possible due to unanticipated circumstances, you must notify the probation officer within 72 hours of becoming aware of a change or expected change.
6. You must allow the probation officer to visit you at any time at your home or elsewhere, and you must permit the probation officer to take any items prohibited by the conditions of your supervision that he or she observes in plain view.
7. You must work full time (at least 30 hours per week) at a lawful type of employment, unless the probation officer excuses you from doing so. If you do not have full-time employment you must try to find full-time employment, unless the probation officer excuses you from doing so. If you plan to change where you work or anything about your work (such as your position or your job responsibilities), you must notify the probation officer at least 10 days before the change. If notifying the probation officer at least 10 days in advance is not possible due to unanticipated circumstances, you must notify the probation officer within 72 hours of becoming aware of a change or expected change.
8. You must not communicate or interact with someone you know is engaged in criminal activity. If you know someone has been convicted of a felony, you must not knowingly communicate or interact with that person without first getting the permission of the probation officer.
9. If you are arrested or questioned by a law enforcement officer, you must notify the probation officer within 72 hours.
10. You must not own, possess, or have access to a firearm, ammunition, destructive device, or dangerous weapon (i.e., anything that was designed, or was modified for, the specific purpose of causing bodily injury or death to another person such as nunchakus or tasers).
11. You must not act or make any agreement with a law enforcement agency to act as a confidential human source or informant without first getting the permission of the court.
12. If the probation officer determines that you pose a risk to another person (including an organization), the probation officer may require you to notify the person about the risk and you must comply with that instruction. The probation officer may contact the person and confirm that you have notified the person about the risk.
13. You must follow the instructions of the probation officer related to the conditions of supervision.

U.S. Probation Office Use Only

A U.S. probation officer has instructed me on the conditions specified by the court and has provided me with a written copy of this judgment containing these conditions. For further information regarding these conditions, see *Overview of Probation and Supervised Release Conditions*, available at: www.uscourts.gov.

Defendant's Signature _____

Date _____

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SPECIAL CONDITIONS OF SUPERVISION

- 1. The defendant shall not possess a firearm, ammunition or destructive device;**
- 2. The defendant shall cooperate with and abide by all instructions of immigration authorities;**
- 3. If the defendant is removed, he may not re-enter the United States illegally;**
- 4. The defendant shall comply with any fine and/or forfeiture order(s) imposed by the Court;**
- 5. Upon request, the defendant shall provide the U.S. Probation Department with full disclosure of his financial records, including co-mingled income, expenses, assets and liabilities, to include yearly income tax returns. With the exception of the financial accounts reported and noted within the presentence report, the defendant is prohibited from maintaining and/or opening any additional individual and/or joint checking, savings, or other financial accounts, for either personal or business purposes, without the knowledge and approval of the U.S. Probation Department. The defendant shall cooperate with the probation officer in the investigation of his financial dealings and shall provide truthful monthly statements of his income and expenses. The defendant shall cooperate in the signing of any necessary authorization to release information forms permitting the U.S. Probation Department access to his financial information and records;**

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SPECIAL CONDITIONS OF SUPERVISION

- 6. The defendant is to refrain from engaging in any employment in the financial industry, and he is to assist the U.S. Probation Office in verifying the job description of any employment he secures while under supervision;**
- 7. If the defendant changes employment while under supervision, he will notify the U.S. Probation Office of such a change immediately. Moreover, he will provide all information to assist the Probation Office in verifying the job description of any new employment;**
- 8. The defendant shall cooperate with the U.S. Probation Office in the investigation and approval of any position of employment, including any independent, entrepreneurial, or freelance employment or business activity. If approved, the defendant shall provide the U.S. Probation Office with full disclosure of his employment and other business records, and any other relevant documents requested by the U.S. Probation Office;**
- 9. The defendant is to electronically submit supervision reports (MSRs) to the U.S. Probation Office on a monthly basis.**

DEFENDANT: MARK JOHNSON
CASE NUMBER: CR 16-0457 (NGG)**CRIMINAL MONETARY PENALTIES**

The defendant must pay the total criminal monetary penalties under the schedule of payments on Sheet 6.

TOTALS	<u>Assessment</u>	<u>JVTA Assessment*</u>	<u>Fine</u>	<u>Restitution</u>
	\$ <u>900.00</u>	\$ <u>N/A</u>	\$ <u>300,000.00</u>	\$ <u>N/A</u>

- The determination of restitution is deferred until _____. An *Amended Judgment in a Criminal Case* (AO 245C) will be entered after such determination.
- The defendant must make restitution (including community restitution) to the following payees in the amount listed below.

If the defendant makes a partial payment, each payee shall receive an approximately proportioned payment, unless specified otherwise in the priority order or percentage payment column below. However, pursuant to 18 U.S.C. § 3664(i), all nonfederal victims must be paid before the United States is paid.

<u>Name of Payee</u>	<u>Total Loss**</u>	<u>Restitution Ordered</u>	<u>Priority or Percentage</u>
TOTALS	\$ _____	\$ _____	

- Restitution amount ordered pursuant to plea agreement \$ _____
- The defendant must pay interest on restitution and a fine of more than \$2,500, unless the restitution or fine is paid in full before the fifteenth day after the date of the judgment, pursuant to 18 U.S.C. § 3612(f). All of the payment options on Sheet 6 may be subject to penalties for delinquency and default, pursuant to 18 U.S.C. § 3612(g).
- The court determined that the defendant does not have the ability to pay interest and it is ordered that:
- the interest requirement is waived for the fine restitution.
 - the interest requirement for the fine restitution is modified as follows:

* Justice for Victims of Trafficking Act of 2015, Pub. L. No. 114-22.

** Findings for the total amount of losses are required under Chapters 109A, 110, 110A, and 113A of Title 18 for offenses committed on or after September 13, 1994, but before April 23, 1996.

DEFENDANT: MARK JOHNSON
CASE NUMBER: CR 16-0457 (NGG)**SCHEDULE OF PAYMENTS**

Having assessed the defendant's ability to pay, payment of the total criminal monetary penalties is due as follows:

- A special assessment of \$ 900.00 due immediately, balance due
 not later than _____, or
 in accordance with C, D, E, or F below; or
- B Payment to begin immediately (may be combined with C, D, or F below); or
- C Payment in equal _____ (*e.g., weekly, monthly, quarterly*) installments of \$ _____ over a period of _____ (*e.g., months or years*), to commence _____ (*e.g., 30 or 60 days*) after the date of this judgment; or
- D Payment in equal _____ (*e.g., weekly, monthly, quarterly*) installments of \$ _____ over a period of _____ (*e.g., months or years*), to commence _____ (*e.g., 30 or 60 days*) after release from imprisonment to a term of supervision; or
- E Payment during the term of supervised release will commence within _____ (*e.g., 30 or 60 days*) after release from imprisonment. The court will set the payment plan based on an assessment of the defendant's ability to pay at that time; or
- F Fine payment schedule::
A FINE IN THE AMOUNT OF \$300,000.00 IS DUE IMMEDIATELY, WITHIN SEVEN DAYS AFTER EXONERATION OF BAIL.

Unless the court has expressly ordered otherwise, if this judgment imposes imprisonment, payment of criminal monetary penalties is due during the period of imprisonment. All criminal monetary penalties, except those payments made through the Federal Bureau of Prisons' Inmate Financial Responsibility Program, are made to the clerk of the court.

The defendant shall receive credit for all payments previously made toward any criminal monetary penalties imposed.

- Joint and Several

Defendant and Co-Defendant Names and Case Numbers (*including defendant number*), Total Amount, Joint and Several Amount, and corresponding payee, if appropriate.

- The defendant shall pay the cost of prosecution.
 The defendant shall pay the following court cost(s):
 The defendant shall forfeit the defendant's interest in the following property to the United States:

Payments shall be applied in the following order: (1) assessment, (2) restitution principal, (3) restitution interest, (4) fine principal, (5) fine interest, (6) community restitution, (7) JVTA assessment, (8) penalties, and (9) costs, including cost of prosecution and court costs.