

# The Office of Attorney General George Jepsen

Press Releases



## STATE OF CONNECTICUT ATTORNEY GENERAL GEORGE JEPSEN

06/15/2018

### AG Jepsen: States Reach Settlement with Citibank for Manipulating Key Benchmark Interest Rate

Under a multistate settlement agreement, Citibank N.A. (Citi) will pay \$95,000,000 in restitution to government and nonprofit entities for its manipulation of a benchmark interest rate in the lead up to and early days of the 2008 financial crisis, Attorney General George Jepsen announced today.

Citi has agreed to pay a total of \$100 million to resolve the 42-state multistate investigation. The state attorneys general alleged that Citi manipulated the London Interbank Offer Rate, also known as LIBOR, and misrepresented the integrity of LIBOR at various times in 2008 and 2009. Most of the proceeds of the settlement will be directed as restitution to government and nonprofit entities with LIBOR-linked swaps and other investment contracts with Citi. Approximately \$400,000 is going to Connecticut entities, the details of which are still being finalized.

Citi is the third of several LIBOR-setting banks under investigation by state attorneys general to resolve the claims against it. With the Citi settlement, the states have collected \$420 million in payments from the three banks, almost all of which will be distributed to state and local government entities and nonprofits that have been harmed by the banks' conduct.

"Our investigation has developed significant evidence that some banks, like Citibank, that were responsible for setting LIBOR rates intentionally manipulated LIBOR in order to protect their public image and to help the business side of their operations be more profitable," said Attorney General Jepsen. "My office will continue to work in partnership with fellow state attorneys general to hold accountable those who engaged in improper conduct at the expense of state and local governments and nonprofits."

LIBOR is a benchmark interest rate that affects financial instruments – including swaps, options and bonds – that are worth trillions of dollars; it has a widespread impact on global markets and consumers,

including government and not-for-profit entities. The rate is calculated daily in multiple currencies, including the U.S. dollar, by a panel of banks, and submissions by the individual contributing banks are governed by several criteria designed to maintain the integrity of the rate.

The states allege that Citi misrepresented the integrity of LIBOR to state and local governmental, nonprofit, private and institutional trading entities by concealing and failing to disclose that Citi, at times, made U.S. dollar LIBOR submissions to avoid negative publicity and protect the reputation of the bank, and that Citi's LIBOR submitters on occasion asked Citi personnel in other units of the bank to avoid offering rates higher than Citi's U.S. dollar LIBOR submissions. The states also allege that Citi expressed belief that other banks had, at times, made U.S. dollar LIBOR submissions that were inconsistent with their borrowing rates and contributed to inaccurate LIBORs.

Citi had reason to believe that its and other banks' LIBOR submissions did not reflect their true borrowing rates in accordance with established guidelines, yet Citi did not disclose this to those entities for which it executed LIBOR-referenced transactions. As a result of this conduct, Citi made millions in unjust gains when these entities entered into swaps and other financial contracts with the bank.

After payment of restitution, the \$5 million balance of the settlement funds will be used to pay costs and expenses of the investigation, which remains active and ongoing, and to administer the settlement fund. Citi has agreed to continue to cooperate with the states' ongoing investigation.

The multistate working group of 42 states, led by the attorneys general of Connecticut, California, Florida, Illinois, Massachusetts, Maryland, New Jersey and New York, includes the attorneys general from Alabama, Alaska, Arizona, Arkansas, Colorado, Delaware, the District of Columbia, Georgia, Idaho, Indiana, Iowa, Kansas, Louisiana, Maine, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Utah, Virginia, Washington, West Virginia and Wisconsin.

Assistant Attorneys General Christopher Haddad and Michael Cole, chief of the Antitrust and Government Program Fraud Department, are assisting the Attorney General in this matter.

**[Please click here to view the settlement document.](#)**

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