



AG Hill announces \$100 million settlement after Citibank manipulated interest rate benchmarks

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All Day (ET)

Attorney General Curtis Hill today announced a \$100 million multistate settlement with Citibank for fraudulent conduct involving USD LIBOR -- a benchmark interest rate that affects financial instruments worth trillions of dollars and has a widespread impact on global markets and consumers. (The acronyms stand for "U.S. Dollar" and "London Inter-bank Offered Rate.")

Forty-two state attorneys general involved in investigating this matter allege that Citibank misrepresented the integrity of the LIBOR benchmark to state and local governmental, not-for-profit, private, and institutional trading counterparties by concealing, misrepresenting and failing to disclose these facts:

- Citibank, at times, made USD LIBOR submissions to avoid negative publicity and protect the reputation of the bank.
- Citibank's USD LIBOR submitters, on occasion, asked Citibank personnel in other units of the bank to avoid offering higher rates than Citibank's USD LIBOR submissions.
- Citibank expressed belief that other banks, at times, made USD LIBOR submissions that were inconsistent with their borrowing rates and contributed to inaccurate LIBORs.

Given this conduct, Citibank had reason to believe that Citibank's and other banks' LIBOR submissions did not reflect their true borrowing rates in accordance with the established public guidance. Citibank did not disclose this to the governmental and not-for profit counterparties with whom Citibank executed LIBOR-referenced transactions -- even though these rates were material terms of the transactions.

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As a result of its fraudulent conduct, Citibank made millions in unjust gains when government entities and not-for-profit organizations entered into swaps and other financial contracts with Citibank without knowing that Citibank and other banks on the USD-LIBOR-setting panel were manipulating LIBOR submissions.

“The technical aspects of high-level banking and financial practices are complex to the average citizen,” Attorney General Hill said. “Those of us in public service must work to protect consumers and to ensure that financial institutions are held accountable for following the law. This settlement helps mitigate the damage done by Citibank’s past misrepresentations.”

Governmental and not-for-profit entities with LIBOR-linked swaps and other investment contracts with Citibank will be notified if they are eligible to receive a distribution from a settlement fund of \$95 million. The balance of the settlement fund will be used to pay costs and expenses of the investigation and for other uses consistent with state laws.

Citibank is the third of several USD-LIBOR-setting panel banks under investigation by the state attorneys general to resolve the claims against it. With the Citibank 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 not-for-profits that have been harmed by these banks’ wrongful conduct.

Pursuant to the settlement agreement, Citibank will continue to cooperate with the states’ ongoing investigation into the conduct of other USD LIBOR-setting panel banks.

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