

June 18, 2018 | Topic: [Consumers](#)

*To Date, State Attorneys General Have Recovered \$420 Million from USD LIBOR-Setting Panel Banks for Misconduct  
LIBOR Manipulation Hurt Government and Non-Profits in Pennsylvania and across the Country*

HARRISBURG — Attorney General Josh Shapiro today announced a \$100 million settlement with Citibank for fraudulent conduct involving interest rate manipulation that had a significant impact on consumers and financial markets around the world – including organizations in Pennsylvania.

The multistate investigation by 42 Attorneys General found that Citibank’s false rate submissions involving the London Interbank Offered Rate, or LIBOR, a benchmark interest rate, affected financial instruments worth trillions of dollars and had a widespread impact on consumers and global markets. Since mortgages, student loans and other financial products often rely on LIBOR as a reference rate, the manipulation of LIBOR can and did have a major financial impact worldwide. Pennsylvania entities will receive approximately \$2.4 million as a result of the settlement.

“Pennsylvania school districts, municipalities and non-profit organizations were cheated out of millions of dollars by Citibank’s fraudulent manipulation of interest rate benchmarks,” said Attorney General Josh Shapiro. “I’m focused on delivering restitution for our Commonwealth.”

The Attorneys General alleged 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 that:

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Citibank, at times, made inaccurate USD LIBOR submissions to avoid negative publicity and protect the reputation of the bank;

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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; and

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Citibank expressed belief that other banks, at times, made USD LIBOR submissions that were inconsistent with their borrowing rates and contributed to inaccurate LIBORs.

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Given this conduct, Citibank had reason to believe that its 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 which Citibank executed LIBOR-referenced transactions, even though these rates were material terms of the transactions.

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.

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 to resolve claims following investigation by state Attorneys General. With the Citibank settlement, the Attorneys General 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. Pursuant to the settlement agreement, Citibank will continue to cooperate with the states’ ongoing investigation into other USD LIBOR-setting panel banks.

In October 2017, Attorney General Shapiro [entered a similar settlement](#) with Deutsche Bank for \$220 million over its manipulation of interest rate benchmarks. In August 2016, the Office of Attorney General entered into a \$100 million settlement with Barclays Bank PLC and Barclays Capital, Inc.

“Whether it’s a bank or a student loan provider, an auto maker or a credit-reporting agency, if a corporation does something that harms Pennsylvanians or Pennsylvania institutions and violates the law, I’m going to hold them accountable,” Attorney General Shapiro said. “These school districts, local governments and others in our Commonwealth will get the restitution they deserve.”

In addition to Pennsylvania Attorney General Josh Shapiro, today’s settlement was reached by the Attorneys General of Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Rhode Island, South Carolina, Tennessee, Utah, Virginia, Washington, West Virginia, and Wisconsin.

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