



Press Release

Attorney General Shapiro Announces \$220 Million Settlement with Deutsche Bank for Manipulating Interest Rate Benchmarks

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LIBOR Manipulation Hurt Government and Non-Profits in Pennsylvania and across the Country

HARRISBURG — Attorney General Josh Shapiro today announced a \$220 million settlement with Deutsche Bank 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 43 Attorneys General found that Deutsche Bank's false rate submissions involving the London Interbank Offered Rate, or LIBOR, 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 school districts, municipalities and non-profit organizations were cheated out of millions of dollars by Deutsche Bank's fraudulent manipulation of interest rate benchmarks," said Attorney General Josh Shapiro. "I'm focused on delivering restitution for our Commonwealth."

Pennsylvania will receive \$6.3 million as its share of the multistate settlement with Deutsche Bank. Government agencies like school districts and municipalities and non-profits with LIBOR-related investments will be notified if they are eligible to receive a distribution from a nationwide settlement fund.

The investigation revealed that Deutsche Bank manipulated LIBOR in three ways:

- Improperly made internal requests for LIBOR submissions to benefit Deutsche Bank's trading positions;
- Attempted to influence other banks' LIBOR submissions in a way intended to benefit Deutsche Bank's trading positions;
- Received communications from brokers and external traders attempting to influence Deutsche Bank's LIBOR submissions. At times, Deutsche Bank LIBOR supervisors acknowledged and indicated they would work to implement the requests they received.

Given this conduct, Deutsche Bank had strong reason to believe that Deutsche Bank's and other banks' LIBOR submissions did not reflect their true borrowing rates, as they were supposed to do pursuant to published guidelines. They also believe that the LIBOR rates submitted by the banks did not reflect the actual borrowing costs of Deutsche Bank and other panel banks.

Deutsche Bank employees did not disclose these facts to the governmental and not-for profit counterparties with whom Deutsche Bank executed LIBOR-related transactions even though these rates were critical for the accuracy of transactions. The manipulation was initially reported by the Wall Street Journal in 2008 and confirmed in 2010 by independent economists. It may have affected Deutsche Bank trades beginning in 2005 until at least 2010.

“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.”

Deutsche Bank is the second of several banks under investigation by state Attorneys General to resolve LIBOR claims against it. Barclays last year was the first lender to settle state investigations into LIBOR rigging, agreeing to pay \$100 million to 44 states.

In addition to Attorney General Shapiro, Attorneys General from the following states have also joined the settlement: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, Tennessee, Utah, Virginia, Washington, West Virginia, Wisconsin, Wyoming

The investigation into the conduct of several other banks involving LIBOR is ongoing.

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