

Citigroup	BL0202 – Global Markets	
EL0402 – Improper Business or Market Practices	ZAR – 69,500,860.00 LOSS	ZAR – Rand
ZA – SOUTH AFRICA	Africa	

Citibank agrees to pay ZAR 69.5 million to settle claims in South African FX manipulation probe

Citibank has agreed to pay an administrative penalty of ZAR 69.5 million (USD 5.3 million, EUR 5 million) to the South African Competition Commission to settle charges that it colluded with 14 other banks to manipulate the USD/ZAR currency pair between 2007 and 2013.

The Commission has been investigating the alleged price fixing and market allocation since April 2015. On 15 February 2017, it referred 15 banks to prosecution. The banks named were Bank of America Merrill Lynch, BNP Paribas, JPMorgan Chase, ANZ, Standard New York Securities, Investec, Nomura, Standard Chartered, Credit Suisse, Commerzbank, Macquarie, HSBC, Citibank, Absa and Barclays. In its referral, the Commission stated it was not seeking a penalty against Citibank or the Barclays banks, which cooperated with the investigation.

According to the Commission, between at least 2007 and 2013, the banks colluded to directly or indirectly fix prices in relation to bids, offers and bid-offer spreads for spot, forward and futures trades involving the USD and ZAR. The banks coordinated their actions using the Bloomberg instant messaging system, telephone calls and meetings.

The Commission claims that the banks colluded to post fictitious bids and offers on trading platforms to manipulate prices. The banks coordinated their trading activities around the fix, the time that benchmark rates are taken, by telling each other how much they needed to buy or sell at a fix. The banks then assisted each other by posting fictitious bids and offers to manipulate the prices of USD and ZAR for their benefit.

According to the allegations, the banks also allegedly colluded to fix the prices they would quote to customers. To do this, the traders shared sensitive commercial information such as the customers' identities, positions, order volumes and trading strategies. The banks then used this information to coordinate their quotations. The banks also colluded to fix the bid-offer spreads they would charge to customers.

Furthermore, from 2010, the banks allegedly divided the market by refraining from trading in competition between themselves, taking turns to transact or pulling and holding trading activities on the Reuters or dealer-owned trading platforms. In general, the trader with the largest trade would transact first, followed sequentially by smaller trades. Traders also reserved customer orders to buy or sell currency to trade with each other, rather than posting the orders on trading platforms, in order to prevent changing the prices of bids and offers.

With its referral, the Commission is seeking orders that will declare that the banks have contravened section 4(1)(b)(i) and (ii) of the South African Competition Act, and, with the exclusion of Citibank and Barclays, are liable to pay an administrative penalty equal to 10 per cent of their annual turnover.

In its settlement with the Commission, Citibank agreed to pay ZAR 69,500,860. This amount is less than 10 per cent of its annual turnover as it cooperated with the Commission and has agreed to assist with the investigation. The Commission said the settlement was intended to encourage full disclosure to strengthen the evidence available for its prosecution of the other banks.

Author: Margo Kane

Last Update: 09:58 - 23/Feb/2017

Source(s): http://www.compcom.co.za/wp-content/uploads/2017/01/Competition-Commission-reaches-settlement-with-Citibank-3.pdf http://www.fin24.com/Companies/Financial-Services/just-in-citibank-to-pay-r69m-in-rand-rigging-scandal-20170220 http://www.compcom.co.za/wp-content/uploads/2017/01/Competition-Commission-prosecutes-banks-currency-traders-for-collusion-15-Feb-2016.pdf https://www.scribd.com/document/339566765/The-Competition-Commission-s-case-against-the-	Related Articles <i>There are no linked loss events</i>
---	---

Event	Published in Media 20/Feb/2017	Date of Occurrence – From 01/Jan/2007	Date of Occurrence – To 31/Dec/2013	Discovery Date 01/Apr/2015	Date of Recognition / Settlement 20/Feb/2017
Loss Amount USD USD 5,308,475.69	Loss Amount EURO EUR 4,998,501.85	Provision No	Boundary Risk Other Risk		
Industry Event N/A	Scenario MISSEL - Mis-Selling & Business Practices	Product PD0304 - Foreign Exchange & Money Markets	Process PC0601 - Order Routing		
Parent Company N/A	ORX Member No	Role of Firm LS0307 - Position Taking (Principal)	AMA Status N/A		
Cause 1 CS0204 - Management / Control of Staff	Cause 2 CS0206 - Unauthorised Activity	Cause 3 CS0304 - Organisational Controls			
Counterparty LS0211 - Regulator	Jurisdiction / Choice of Law LS0103 - Rest of the World	Environmental Volatility LS0406 - Not Identifiable			