

Loss Event

NAB Holdings
EL0101 - Unauthorised Activity
AU - AustraliaBL0202 - Global Markets
AUD 50,000,000.00 | Australian Dollar
Asia / Pacific

Banking

NAB pays AUD 50 million to settle with ASIC over BBSW manipulation probe

National Australia Bank (NAB) has agreed to pay AUD 50 million (USD 38.5 million, EUR 32.7 million) to settle with the Australian Securities and Investments Commission (ASIC) over an investigation into four Australian banks' alleged manipulation of the country's main benchmark rate, the bank bill swap rate (BBSW).

The BBSW is a key rate in Australia at which banks lend to each other over a short period, providing a benchmark for setting the price of a range of financial products such as loans, credit cards and bonds. On 27 September 2013, the Australian Financial Markets Association (AFMA) changed the method by which the BBSW is calculated. The conduct that the proceedings relate to occurred before the change was made.

ASIC filed the lawsuit against NAB on 7 June 2016, alleging that traders at NAB and three other major banks – Australia and New Zealand Bank (ANZ), Commonwealth Bank of Australia (CBA) and Westpac – manipulated the BBSW to obtain profits. According to the allegations, NAB traded in a manner that was unethical and intended to create an artificial price for bank bills on 50 occasions during the period from 8 June 2010 to 24 December 2012. ASIC alleged that NAB had a large number of products that were priced or valued off BBSW and that NAB had traded in the bank bill market with the intention of moving the BBSW higher or lower. Allegedly, NAB sought to maximise its profit or minimise its loss to the detriment of those holding opposite positions to NAB's.

Subsequently, on 27 October 2017, NAB admitted that on 12 occasions during 2010 and 2011, its traders had breached the ASIC Act by attempting to engage in unethical conduct as they traded in the BBSW market.

As part of the settlement, NAB will pay AUD 50 million, which includes a AUD 10 million penalty, AUD 20 million to cover ASIC's costs and a AUD 20 million donation to a financial consumer protection fund nominated by ASIC.

NAB is the second bank to settle with ASIC after ANZ settled for an undisclosed amount the week commencing 23 October 2017. This latest settlement is subject to Federal Court final approval.

The financial impact will be reflected in NAB's 2017 financial year results, businessinsider.com reports.

Author Silver Liisma**Published Date** 30 October 2017**Last Update** 01 November 2017

Source(s)

Related links

<http://www.watoday.com.au/business/banking-and-finance/nab-admits-it-agrees-to-settle-with-ASIC-for-undisclosed-amount-over-BBSW-manipulation-probe>
 ,
<https://www.businessinsider.com.au/nab-has-done-a-50-million-deal-to-settle-man...>
 ,
<https://www.investordaily.com.au/markets/42096-nab-to-pay-50m-in-bbsw-case>
 ,
<http://asic.gov.au/about-asic/media-centre/find-a-media-release/2016-releases/1...>

Event

Published In Media	Date of Occurrence - From	Date of Occurrence - To	Discovery Date	Date of Recognition/Settlement
27 October 2017	08 June 2010	24 December 2012		27 October 2017
Loss Amount USD 38,452,000.00	Loss Amount EURO 32,723,500.00	Provision No		Boundary Risk Other Risk
Industry Event	Scenario SC0005 - Improper Business Practice	Product PD0304 - Foreign Exchange & Money Markets		Process PC1502 - Non-Financial Regulatory Reporting
Event Closed No	ORX Member No	Role of Firm LS0307 - Position Taking (Principal)		
Cause 1 CS0204 - Management / Control of Staff	Cause 2 CS0206 - Unauthorised Activity	Cause 3 CS0304 - Organisational Controls		
Jurisdiction / Choice of Law LS0103 - Rest of the World	Counterparty LS0201 - Bank	Environmental Volatility LS0406 - Not Identifiable		