

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

RECEIVED CFTC



Office of Proceedings
Proceedings Clerk

8:04 am, May 25, 2016

In the Matter of:)
)
)

Citibank, N.A.,)

Respondent.)
)
)
)

CFTC Docket No. 16 – 16

ORDER INSTITUTING PROCEEDINGS PURSUANT TO
SECTIONS 6(c) AND 6(d) OF THE COMMODITY EXCHANGE ACT,
MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS

I.

The Commodity Futures Trading Commission (“Commission”) has reason to believe that Citibank, N.A. (“Respondent,” “Citibank,” or the “Bank”) has violated the Commodity Exchange Act (the “Act” or “CEA”) and Commission Regulations (“Regulations”). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondent engaged in the violations set forth herein, and to determine whether any order shall be issued imposing remedial sanctions.

II.

In anticipation of the institution of an administrative proceeding, Respondent has submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Without admitting or denying the findings or conclusions herein, Respondent consents to the entry and acknowledges service of this Order Instituting Proceedings Pursuant to Sections 6(c) and 6(d) of the Commodity Exchange Act, Making Findings, and Imposing Remedial Sanctions (“Order”).¹

¹ Respondent consents to the entry of this Order and to the use of these findings in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party; provided, however, that Respondent does not consent to the use of the Offer, or the findings or conclusions in this Order, as the sole basis for any other proceeding brought by the Commission, other than in a proceeding in bankruptcy or to enforce the terms of this Order. Nor does Respondent consent to the use of the Offer or this Order, or the findings or conclusions in this Order consented to in the Offer, by any other party in any other proceeding.

III.

The Commission finds the following:

A. Summary

Beginning in January 2007 and continuing through January 2012 (the “Relevant Period”), Citibank, by and through certain of its traders, on multiple occasions attempted to manipulate the U.S. Dollar International Swaps and Derivatives Association Fix (“USD ISDAFIX” or the “benchmark”), a leading global benchmark referenced in a range of interest rate products, to benefit the Bank’s derivatives positions.

ISDAFIX rates and spreads are published daily and are meant to indicate the prevailing mid-market rate, at a specific time of day, for the fixed leg of a standard fixed-for-floating interest rate swap.² They are issued in several currencies. USD ISDAFIX rates and spreads are published for various maturities of U.S. Dollar-denominated swaps, including 1-year to 10-years, 15-years, 20-years, and 30-years. The most widely used USD ISDAFIX rates and spreads, and the ones at issue in this Order, are those that are intended to indicate the prevailing market rate as of 11:00 a.m. Eastern Time. The 11:00 a.m. USD ISDAFIX rate is used for the cash settlement of options on interest rate swaps, or swaptions, and as a valuation tool for certain other interest rate products, including, for example, curve options.

During the Relevant Period, USD ISDAFIX was set each day in a process that began at 11:00 a.m. Eastern Time with the capture and recording of swap rates and spreads from a U.S.-based unit of a leading interest rate swaps broking firm (“Swaps Broker”). Swaps Broker disseminated rates and spreads captured in this snapshot as references to a panel of banks. These reference rates and spreads (which were calculated using swap spread trade data from Swaps Broker, U.S. Treasuries electronic trade data from Swaps Broker, and Eurodollar futures at or around 11:00 a.m.) were disseminated by Swaps Broker to the panel banks. The panel banks then made submissions to Swaps Broker. Each bank’s submission was supposed to reflect the midpoint of where that dealer would itself offer and bid a swap to a dealer of good credit as of 11:00 a.m. Eastern Time. Most banks on the panel, including Citibank, usually submitted Swaps Broker’s reference rates and spreads as captured in the snapshot. As a result, after an averaging of the submissions, the reference rates and spreads became the published USD ISDAFIX almost every day.

However, on certain days on which Citibank had a trading position settling or resetting against the USD ISDAFIX, Citibank attempted to manipulate USD ISDAFIX by making false submissions for Citibank as a panel bank to Swaps Broker, skewing the rates and spreads submitted in the direction that could have moved the USD ISDAFIX setting to benefit the Bank’s trading positions. A bank’s derivatives trading positions or profitability are not legitimate or permissible factors on which to base submissions in connection with a benchmark. Yet on multiple occasions during the Relevant Period, certain Citibank traders caused Citibank to make USD ISDAFIX submissions higher or lower for the purpose of benefitting positions

² In 2014, the administration of ISDAFIX changed, and a new version of the benchmark is published under a different name by a new administrator using a different methodology.

priced or valued against the benchmark, including swaption and curve option positions. On these occasions, Citibank's USD ISDAFIX submissions constituted false, misleading, or knowingly inaccurate reports because they purported to reflect Citibank's honest view of the true costs of entering into a standard fixed-for-floating interest rate swap in particular tenors, but in fact reflected traders' desire to move USD ISDAFIX higher or lower in order to benefit Citibank's positions. These submissions were false, misleading, or knowingly inaccurate because they did not report where Citibank would itself bid or offer interest rate swaps to a dealer of good credit absent a desire to manipulate USD ISDAFIX, but rather reflected prices that were more favorable to the Bank on specific positions.

In addition, Citibank attempted to manipulate USD ISDAFIX by bidding, offering, and executing transactions in targeted interest rate products, including swap spreads and U.S. Treasuries at or near the critical 11:00 a.m. fixing time, with the intent to affect the reference rates and spreads captured by Swaps Broker that Swaps Broker disseminated to submitting banks, and thereby to affect the published USD ISDAFIX.³ On occasion, in conjunction with Citibank's attempts to manipulate USD ISDAFIX by bidding, offering, and executing transactions in targeted interest rate products, Citibank attempted to manipulate USD ISDAFIX by making false USD ISDAFIX submissions. As captured in electronic communications, a Citibank trader boasted about "pushing out the isdafixing" or "push[ing]" the market, and described a Citibank's swaps trader as being "pretty good at it." Citibank traders also described USD ISDAFIX as being "suprising[ly] easy to push," and explained the best way to "influence the set."

At least one Citibank customer observed trading around 11:00 a.m. and raised a question that was relayed to a Citibank trader:

[H]ow is it that 10s30s has traded between 17.25 and 18.25 all morning but the ISDA fixing is 17.00? [I]'ve brought this up to several people over the last few months because the fix seems to go against us most of the time. **[E]ach person tells me that there is no manipulation by the traders; however, the coincidence of us losing on everyone but one fixing . . . is starting to get old.**

(Emphasis added.)

In the summer of 2010, Citibank traders circulated among themselves a news article reporting on the widespread potential manipulation of USD ISDAFIX benchmarks by trading at 11:00 a.m. that included a quote from a broker stating that "[e]veryone plays with the number at 11, and it can be bedlam." Citibank traders circulated the article among themselves by email with comments like "GAME OVER" and "ouch . . ." Upon receiving the article, one recipient said, "oh jesus do I want to read this?" in response to which a Citibank swaps trader wrote that the article was "all about 11am isda fix."

³ There is evidence that Citibank on occasion also attempted to manipulate on-exchange Eurodollar futures at 11:00 a.m. to advantage its derivatives trading positions. As noted above, in the 1-year maturity, Swaps Broker used Eurodollar futures yields at 11:00 a.m. to generate the reference rate sent to USD ISDAFIX submitting banks.

Citibank's unlawful conduct involved multiple traders; moreover, at least one senior-level individual overseeing certain of the Bank's interest rates trading desks was aware of the Bank's improper trading activity during the Relevant Period.

* * * * *

In accepting the Bank's offer, the Commission recognizes Respondent's cooperation with the Division of Enforcement's (the "Division") investigation in this matter. The Commission notes that at the outset of the Division's investigation, Citibank's cooperation was not sufficient. The Bank's response to the Commission's subpoena and initial document productions were deficient in two respects. First, the Bank did not make productions as expeditiously as the Division expected. Second, the Bank told the Division that certain misconduct did not occur at the Bank. The Bank's cooperation improved after the Division said that it expected the Bank to move more expeditiously, after which the Bank discovered and produced evidence showing that the Bank's initial statements about certain misconduct were incorrect. The Commission also recognizes that Citibank took remedial action to improve internal controls and policies related to ISDAFIX submissions.

B. Respondent

Citibank, N.A. is a national banking association with its main office in Sioux Falls, South Dakota, and offices in, among other places, New York City. Citibank provides consumer finance, investment banking, commercial banking, and other services. It became provisionally registered with the Commission as a swap dealer on December 31, 2012.

C. Facts

1. USD ISDAFIX Setting

ISDAFIX rates and spreads are benchmarks that indicate prevailing market rates for "plain-vanilla" interest rate swaps.⁴ The 11:00 a.m. USD ISDAFIX was set during the Relevant Period using a combination of swap spread trade data from Swaps Broker,⁵ U.S. Treasuries electronic trade data from Swaps Broker, Eurodollar futures, and submissions from a panel of swap dealer banks, including Citibank.

⁴ The term "swap" is defined in CEA Section 1a(47). 7 U.S.C. § 1a(47) (2012). Here, a "plain-vanilla" interest rate swap is generally an exchange of fixed payments for floating payments, wherein one party to a swap pays a fixed rate on a set notional amount (the party who "pays fixed" is said to have "bought" the swap, or is "long" the swap) and the other party pays a floating rate generally tied to three-month LIBOR (the party who "receives fixed" is said to have "sold" the swap, or is "short" the swap). The "maturity" or "tenor" of a swap refers to the number of years over which counterparties exchange payments.

⁵ An interest rate swap spread trade consists of a fixed-for-floating interest rate swap and an offsetting trade in U.S. Treasuries of the same tenor, which allows a party to hedge part of the interest rate risk associated with the fixed-for-floating swap. The difference in basis points between the U.S. Treasury yield and the swap rate constitutes the "spread" quoted in a spread trade. The party who "receives fixed" in a swap and sells U.S. Treasuries to hedge is "short" spreads or has "sold" spreads, while a party who "pays fixed" in a swap and buys Treasuries to hedge is "long" spreads or has "bought" spreads.

Swaps Broker's medium-term USD swaps desk ("MTS Desk") functioned much like a traditional futures trading pit. Brokers on the desk sat (or stood) together and each serviced a number of major swap dealer banks, to whom they were connected throughout the trading day by direct phone lines and speaker boxes. The brokers communicated their clients' bids and offers by open outcry to the entire MTS Desk and all of the brokers simultaneously. Any client could accept a bid or offer. Once a broker confirmed that a client was "hitting" a bid, "lifting" an offer, or was otherwise "done" in a designated notional amount (either a minimum default amount or a greater amount), the trade between the counterparties was executed and the counterparties received a confirmation of the trade.

Swaps Broker published a live feed of transaction data for USD interest rate swap spreads, swap rates, and U.S. Treasury yields and prices to an electronic screen, known as the "19901 screen," accessible through a subscription-based market news service. The 19901 screen reflected the levels at which those products were trading through the MTS Desk (for swap spreads and swap rates) and Swaps Broker's proprietary electronic bond trading platform (for U.S. Treasuries). The 19901 screen is a reference used widely throughout the financial industry by swap dealer banks, hedge funds, asset managers, businesses, and other participants in interest rate markets. During the Relevant Period, levels displayed on the 19901 screen at precisely 11:00 a.m. were critical because they were used to set USD ISDAFIX.

To set USD ISDAFIX rates for the 2-year through 30-year maturities, Swaps Broker first generated reference rates and spreads from the snapshot of 11:00 a.m. screen prices, reflecting either the last traded spread or the mid-point between the most recent executable bid and offer. Swaps Broker's reference rates, for all maturities except the 1-year, were the sum of the reference spread and the 19901 screen's U.S. Treasury yield in the corresponding maturity. To generate the 1-year reference rate (for which there was no associated swap spread), Swaps Broker utilized a combination of Eurodollar futures yields (based on trading on CME's Globex platform) and broker "sentiment," which was intended to reflect prevailing rates for 1-year swaps based on trading through Swaps Broker's short-term swaps desk.

Minutes after the 11:00 a.m. snapshot of the 19901 was taken, Swaps Broker distributed its reference rates and spreads to a panel of 14 or more contributing banks, which either accepted and submitted the reference rates and spreads as their own or submitted adjusted levels. Each bank, including Citibank, was expected to submit "the mean of where that dealer would itself offer and bid a swap in the relevant maturity for a notional equivalent amount of US \$50 million or whatever amount is deemed market size in that currency for that tenor to an acknowledged dealer of good credit in the swap market."⁶ Banks could change the prices for all rates and spreads across all maturities in their submissions, or change any subset, including any single rate or spread. Alternatively, a panel bank could make no submission at all. After a quorum of contributing banks made their submissions, a calculation agent eliminated the highest and lowest submissions (known as "topping and tailing") and averaged the remaining submissions. The submission and calculation process was generally completed in the half hour following 11:00

⁶ See *ISDAFIX*, ISDA, <https://web.archive.org/web/20140209180148/http://www2.isda.org/asset-classes/interest-rates-derivatives/isdafix/> (last accessed April 20, 2016).

a.m., after which the results were accessible to the public through a subscription-based news service.

In practice, most panel banks, often including Citibank, accepted Swaps Broker's reference rates and spreads as their default submissions. Thus after "topping and tailing," Swaps Broker's reference rates and spreads usually became the final published USD ISDAFIX benchmarks. However, as noted below, on multiple occasions during the Relevant Period, Citibank submitted a rate or spread higher or lower than Swaps Broker's reference rates or spreads on certain days that Citibank had a derivatives position settling or resetting against USD ISDAFIX in an attempt to benefit that derivatives position.

2. Citibank's Role in USD ISDAFIX Setting

Throughout the Relevant Period, Citibank was one of the panel banks that submitted rates and spreads for the determination of USD ISDAFIX. Middle office employees supporting Citibank's North American G10 Rates U.S. Dollar Swaps Desk (the "Swaps Desk") made Citibank's daily USD ISDAFIX submissions. The Swaps Desk was a market-making desk that traded, among other products, fixed-for-floating interest rate swaps. The Swaps Desk acted as counterparty to external clients as well as internal Citibank desks in a variety of interest rate swap transactions.

During the Relevant Period, Citibank did not have specific internal controls or procedures, written or otherwise, regarding how USD ISDAFIX submissions should be determined or monitored. ISDAFIX submitters received no formal training on making ISDAFIX submissions, and the Bank did not require submissions to be documented during the Relevant Period.

3. Citibank Positions with Exposure to USD ISDAFIX

Citibank traders had two primary reasons, discussed more fully below, to attempt to manipulate USD ISDAFIX: (a) to maximize profit (or minimize loss) for the North American G10 Rates USD Flow Options Desks (collectively, the "Options Desk") in connection with cash settling swaptions; and (b) to maximize profit (or minimize loss) for the North American G10 Rates U.S. Exotics Desk ("Exotics Desk") in connection with periodic payments (referred to as "resets") associated with certain interest rate options, including curve options.

In addition to these two primary reasons, traders on the Swaps Desk had their own reasons to attempt to manipulate USD ISDAFIX rates. From time to time, when the Options Desk had a cash-settling swaption with an external counterparty, rather than carry the USD ISDAFIX risk associated with that position, the Options Desk coordinated with the Swaps Desk prior to 11:00 a.m. to "swap settle" the position (referred to herein as an "ISDAFIX Swap"), thereby eliminating the Options Desk's exposure to the USD ISDAFIX and transferring that exposure from the Options to the Swaps Desk. By transferring its USD ISDAFIX risk to the Swaps Desk, the Options Desk also provided the Swaps Desk an opportunity to benefit by influencing the USD ISDAFIX benchmark when trading out of the ISDAFIX Swap. For example, if the Swaps Desk knew that it would be receiving the fixed rate on the ISDAFIX Swap at 11:00 a.m., the Swaps Desk could benefit by pushing the rate higher while trading out

of the ISDAFIX Swap. Conversely, if the Swaps Desk knew that it would be paying the fixed rate on the ISDAFIX Swap at 11:00 a.m., the Swaps Desk could benefit by pushing the rate lower while trading out of the ISDAFIX Swap.

a. Options Desk Swaption Cash Settlements

During the Relevant Period, Citibank's Options Desk, in coordination with the Swaps Desk, attempted to manipulate USD ISDAFIX in order to benefit derivatives positions, by increasing their payments from counterparties or decreasing payments to counterparties in cash-settled interest rate swaptions. A so-called "European swaption," one of the primary products traded by the Options Desk, is an option to enter into a plain-vanilla fixed-for-floating interest rate swap, which must be exercised at 11:00 a.m. on a specified "expiry" date in the future at a pre-agreed fixed "strike" rate. A swaption can be exercised by "physical" delivery of the underlying swap or by cash settlement. A swaption that expired "in-the-money" would usually physically settle. Swaption cash settlements denominated in U.S. Dollars are typically calculated based on USD ISDAFIX rates according to a formula which measures the difference between the relevant USD ISDAFIX rate on the expiry date and the strike rate of the swaption.

Attempts to move USD ISDAFIX rates in Citibank's favor, if successful, would hurt the Bank's counterparties in cash settlement, as well as any other market participants who had positions referencing USD ISDAFIX on a given day that were directionally equivalent to Citibank's counterparty in the same maturity. A small movement of the benchmark higher or lower (*e.g.*, one basis point or less) could result in meaningful gain for the Bank on its swaption cash settlements.

b. Exotics Desk Curve Options

During the Relevant Period, Citibank's Exotics Desk, in coordination with other Citibank desks including the Swaps Desk, attempted to manipulate USD ISDAFIX in order to benefit certain derivatives positions (most commonly, curve options) by increasing payments from counterparties, or decreasing payments to counterparties, in connection with periodic cash payments, also referred to as option "resets." With respect to curve options, reset payments are generally calculated as the difference between (1) the spread between two tenors as set by the USD ISDAFIX benchmark (the "USD ISDAFIX tenor-spread differential") and (2) the pre-agreed strike-spread of the option. The reset payment by the option writer to the option holder of a linear "cap" curve option increases as the USD ISDAFIX tenor-spread differential exceeds the pre-agreed strike. Conversely, the payment by the option writer to the option holder of a linear "floor" curve option increases to the extent that the USD ISDAFIX tenor-spread differential is less than the pre-agreed strike rate. For "digital" (*i.e.*, non-linear) options, the option holder receives from the option writer a pre-determined payout if the USD ISDAFIX tenor-spread differential exceeds the pre-agreed strike in the case of a cap, or if the USD ISDAFIX tenor-spread differential is less than the pre-agreed strike in the case of a floor. However, unlike linear curve options, for a digital option, the payment amount is fixed and does not depend on the degree to which the USD ISDAFIX tenor-spread differential deviates from the pre-agreed strike.

Attempts on reset days to move the spread between the relevant USD ISDAFIX rates in Citibank's favor, if successful, would hurt the Bank's counterparties as well as any other market participants who had positions in the same spread in a direction consistent with Citibank's counterparty (as well as potentially other market participants who had positions linked to the individual tenors comprising the USD ISDAFIX tenor-spread).

4. Means Employed in Attempts to Manipulate USD ISDAFIX

Certain Citibank options, exotics, and/or swaps traders understood and employed two primary means in their attempts to manipulate USD ISDAFIX rates:

- First, by directing the relevant Citibank Swaps Desk's middle office employees responsible for making USD ISDAFIX submissions (the "Submitter" or "Submitters") to submit rates and spreads higher or lower than the Submitters otherwise would, certain Citibank traders attempted to affect the final published USD ISDAFIX rates and spreads to benefit the Bank's derivatives positions. One of Citibank's swaps traders, Swaps Trader 1, explained to another trader that "my middle office [makes Citibank's submissions] and unless we have an interest on any particular day they pass [what Swaps Broker's] mid reflects."
- Second, certain Citibank traders bid, offered, and/or executed swap spreads and/or U.S. Treasuries, (at times in one or both of these products) at or around 11:00 a.m. to affect rates on the 19901 screen and thereby increase or decrease Swaps Broker's reference rates and spreads and influence the final published USD ISDAFIX.

Whichever the means employed, the goal was the same – to move USD ISDAFIX in the direction that favored Citibank on specific trading positions at the expense of its counterparties.

a. Citibank's False, Misleading, or Knowingly Inaccurate Submissions

Citibank attempted to manipulate USD ISDAFIX by making false, misleading, or knowingly inaccurate submissions to Swaps Broker concerning swap rates and spreads.

On multiple occasions during the Relevant Period, Citibank submitted a rate or spread higher or lower than Swaps Broker's reference rates or spreads. On these occasions, certain traders on the Options or Exotics Desks directed the relevant Submitters to submit a rate or spread higher or lower than the reference rate or spread disseminated by Swaps Broker to panel banks. Certain traders made requests to change particular submissions by several means, including by: (i) walking over to the Submitters and making requests to change a particular tenor verbally by asking, for example, to "bump it up" or "bump it down"; (ii) providing a Submitter with a piece of paper with a note indicating a tenor and rate; and (iii) accessing a Submitter's computer directly and/or instructing the Submitter to click on toggle buttons to make changes to the reference rate. The Submitters typically did not deviate from the reference rates and spreads provided by Swaps Broker unless they were specifically directed to do so for a particular tenor by a trader from the Options or Exotics Desks. Moreover, during the Relevant Period, Citibank

did not itself maintain any books and records reflecting the changed submissions or otherwise have any controls around the submission process.

Although the options and exotics traders typically approached the Submitters in person when directing them to change the Bank's submissions, on at least one occasion, an options trader directed by email that a Submitter change the Bank's submission. At 11:07 a.m. on August 15, 2008, Options Trader 1 emailed a Submitter: "What is the 2y ISDAFIX you are seeing[?]" When the Submitter responded "3.381," Options Trader 1 replied, "[c]an you send 3.383." On that same day, Citibank had a cash settlement in a 2-year swaption with a notional value of \$250 million, and Citibank's payment to its counterparty in connection with that cash settlement would have decreased to the extent the 2-year USD ISDAFIX benchmark rate set higher.

Citibank's changes in its USD ISDAFIX submissions were not made to reflect the mean of where Citibank would itself bid or offer the swap in the relevant maturity but rather, the changes were made to benefit certain derivatives positions held by Citibank. Indeed, Citibank traders requested submissions that deviated from Swaps Broker's reference rates and spreads on certain days when they had an interest (*i.e.*, if Citibank had a cash-settling swaption, curve option reset, or other derivatives position tied to USD ISDAFIX). As noted, when asked by another trader "who's submitting the isdafix numbers these days," Swaps Trader 1 responded that Citibank's practice was as follows: "believe my middle office does and unless we have an interest on any particular day they pass [what Swaps Broker's] mid reflects." Moreover, a senior trader on the Options Desk, Options Trader 2, testified under oath that he was not aware of any legitimate reason for a trader to make such changes. Nevertheless, Options Trader 2, as well as other of the Bank's options traders, directed the Submitters to submit lower or higher rates and spreads in an effort to benefit certain of Citibank's derivatives trading positions, and the Submitters made the requested changes to the submissions.

b. Citibank's Improper Trading Conduct

In addition to making false submissions in an effort to influence the final setting of USD ISDAFIX benchmarks, Citibank on multiple occasions attempted to manipulate USD ISDAFIX by bidding, offering, or trading swap spreads and U.S. Treasuries at and around Swaps Broker's 11:00 a.m. snapshot, in a manner designed to move USD ISDAFIX rates in a direction that would benefit the Bank.⁷ Moreover, the false submissions by Citibank's traders, among other factors, evidenced an intent to manipulate the USD ISDAFIX benchmark via trading.

Citibank's traders knew that trading swap spreads and U.S. Treasuries at or around Swaps Broker's 11:00 a.m. snapshot could impact where the USD ISDAFIX benchmark set.

⁷ Citibank traders referred to trades that they made around 11:00 a.m. for risk management purposes as hedging. When swaptions cash-settled, changes in the Options Desk's risk position could potentially require traders to execute hedging trades, depending on a variety of factors, including the risk profile of other positions and whether the desk wanted to take on the risk resulting from a cash settlement at expiry. Likewise, with curve option resets and settlements, and ISDAFIX Swaps, the Exotics and Swaps Desks took on risk, which again, depending on a variety of factors, the desks might have reason to hedge. Irrespective of whether the Options, Exotics, or Swaps Desk traders had an interest in hedging, the traders engaged in attempted manipulation when they placed bids and offers or executed trades around 11:00 a.m. with the improper intent to move the USD ISDAFIX rate in Citibank's favor.

One of the Bank's options traders, Options Trader 3, testified under oath that there was a general understanding among traders on the Options Desk that trading swap spreads could influence the USD ISDAFIX benchmark rate. Moreover, certain Citibank traders openly discussed the fact that market participants attempted to influence the USD ISDAFIX benchmark by trading at or around 11:00 a.m. For example, in a June 2007 email, in response to the question of whether "there [is] a bit of gaming that goes on with the set," one of the Bank's swaps traders, Swaps Trader 2, stated that "people are always messing with the screen at that time [*i.e.*, at 11:00 a.m.]." In a November 2007 instant message, when Swaps Trader 1 commented about market illiquidity, another Citibank trader stated "[I] suspect it's because of Isdafix . . . [T]hat's when people start scrooing [sic] around with things." In another instant message, Swaps Trader 1 told a Citibank trader that "we can help u in the screens if u need" in connection with a "big" curve option reset, and later in that same message stated to another Citibank trader that "on a daily basis we see dealers pushing the curve at 11 am set and it is obvious that it is big curve options settling."

Citibank traders also talked about the fact that traders generally avoided trading through Swaps Broker *unless* they wanted to move the market. For example, Swaps Trader 1 stated in a 2010 instant message, "that['s] a weird one. [I] can see going to [Swaps Broker] when u need the screen up or down but that one didnt [sic] move the screen." Similarly, Options Trader 3 stated in an October 2011 instant message that "people don [sic] want to trade [at Swaps Broker] because it moves [Swaps Broker's] screen," to which another trader responded: "hmm so why does [Options Trader 2] go there?" In a 2008 instant message, one of the Bank's exotics traders, Exotics Trader 1, disparaged Swaps Broker as "icrap" after another trader said that "I genu[ine]ly think people are stupid and look at [Swaps Broker's] page."

Moreover, Citibank had a general practice of encouraging traders to keep order flow internal, *i.e.*, to trade swaps and U.S. Treasuries internally through Citibank's Swaps and Treasuries Desks rather than externally through brokers, including Swaps Broker. Nevertheless, when Citibank had a derivatives position that could benefit from influencing the USD ISDAFIX, the Bank's traders at times traded through Swaps Broker rather than internally or through other brokers. For example, in January 2009, on a day that Citibank was cash settling a 10-year \$200 million swaption (and in connection with which Citibank would receive a higher payment if the 10-year USD ISDAFIX settled lower), Options Trader 2 sent an instant message to Swaps Trader 1 stating: "I HAVE A CASH SETTLE AT 11 TODAY SO I WILL NEED TO BE IN [Swaps Broker] BEFOREHAND AND WILL NEED TO SELL 10 YR SPREADS." Selling 10-year swap spreads at 11:00 a.m. through Swaps Broker would tend to drive the USD ISDAFIX lower, whereas keeping that order flow internal would not affect the benchmark.

Citibank's efforts to move Swaps Broker's screen was openly discussed among certain Citibank traders, including the then head of the Bank's North American G10 interest rates trading ("Head of G10 Rates 1"), who told Options Trader 2 that he, Options Trader 2, should trade U.S. Treasuries through other traders at the Bank rather than directly through Swaps Broker and that "[i]f they can't do the job I would like to know. **If you need to move the screen for a pricing just let them know.**" (Emphasis added.)

Traders also talked about pushing swap spreads and openly boasted about how easy it was to influence the USD ISDAFIX benchmark by trading swap spreads and/or U.S. Treasuries through Swaps Broker. For example:

- On March 6, 2008, Exotics Trader 1 stated in separate instant messages to other market participants that **“[I] moved the screen btw”** and **“[I] moved the screen to 183 on 2s10s...[Swaps Trader 1] is pretty good at it,”** and **“[I] push the 2s10s swap on the screen to 183.4, very proud of myself.”** (Emphasis added.)
- On April 9, 2008, Exotics Trader 1 sent an instant message to Swaps Trader 1: “I have an isdafix on 10s2s today . . . **you think we can push the 2y spread lower before 11?** [I]s the market much tougher to push these days?” (Emphasis added.) Swaps Trader 1 replied: “ONLY PROBLEM IS MOST GUYS . . . ARE SHORT FRONT END SPREADS SO YOU MAY HAVE RESISTANCE GETTING [it] DOWN. WE CAN DO OUR BEST THOUGH.”
- On October 23, 2008, Exotics Trader 1 notified Swaps Trader 1 that “[I] have a reset on 10s30s [referring to a digital curve option] today at 11. **[I] might need you guys to help me put 10s30s to reset below 0.**” (Emphasis added.) In a later instant message, Exotics Trader 1 told Swaps Trader 1 that “looks like [I] don’t even have to push!” Swaps Trader 1 agreed, noting that two other dealers were “pushing it for you...nice.”
- On October 28, 2008, Exotics Trader 1 boasted that **“[I] actually push the isdafixing on the days when it’s close...surprising[ly] easy to push! [I] think last week, [I] pushed it 3bps from 10:55 to 11:05 :)”** (Emphasis added.)
- On November 18, 2008, Exotics Trader 1 indicated that he “sold 60[]bonds” (referring to Treasuries) because he was **“pushing out the isdafixing”** and that he had “a big reset today on a digital.” (Emphasis added.)
- In a September 17, 2010 instant message conversation with a junior sales analyst, Options Trader 3 explained a series of transactions in which the Options Desk (in connection with large cash-settled swaptions) transferred its risk to the Swaps Desk at ISDAFIX, thereby giving the Swaps Desk an opportunity to benefit by pushing up the benchmark at or around 11:00 a.m. As Options Trader 3 explained, the Options Desk “swap settled” with the Swaps Desk, and Swaps Trader 2 “took the risk . . . and made [money].” After Options Trader 3 explained the transactions, the analyst wrote back that Swaps Trader 2 “knows that hes [sic] gonna get long . . . @ 11[:00 a.m.] . . . so he can pay to cut his risk . . . and ideally pu sh [sic] the mkt up,” to which Options Trader 3 commented “u should pay for my lessons :-).”

Although certain Citibank traders believed that the best way to influence USD ISDAFIX was to actually trade swap spreads and U.S. Treasuries,⁸ the traders also understood that the

⁸ Indeed, Swaps Trader 1 told another Citibank trader that **“the best way to influence the set is to hit or lift 2s or 10s on spread** [and that] it will be unlikely to have liquidity on 11am set.” (Emphasis added.)

Bank could achieve the same goal – and at a lower cost – by bidding and offering or by transacting in small sizes just before 11:00 a.m. For example, when Swaps Trader 2 observed that exotics options traders at other banks “pushed the 30y spread down like crazy,” he told others that “we started bidding . . . in 30y spread and **pushed it back up 4 bps w/out trading anything.**” (Emphasis added.) Likewise, Swaps Trader 2 expressed in another communication that he could move the benchmark with minimal trading, stating that “it’s so illiquid. [A]t 11am, **we moved spreads 2bps on 50mm only.**” (Emphasis added.)

In the summer of 2010, certain Citibank traders circulated by email among themselves a news article reporting on the potential manipulation of USD ISDAFIX benchmarks by trading at 11:00 a.m. Among other things, that article quoted one broker as saying that “[e]veryone plays with the number at 11, and it can be bedlam.” The article was forwarded to, among others, the head of the Bank’s North American G10 interest rates trading (“Head of G10 Rates 2”) as well as to Swaps Trader 1. Swaps Trader 1 in turn forwarded the article in an email to Swaps Trader 2 as well as to Citibank’s broker at Swaps Broker, adding the comment “GAME OVER.” Swaps Trader 2 forwarded the article to others at Citibank, with his own comment, “ouch... .” When asked by one recipient, “oh jesus do I want to read this?,” Swaps Trader 2 commented that the article was “all about 11am isda fix.”

Notwithstanding the summer 2010 news article (and Citibank traders’ own criticism of Swaps Broker’s screen discussed above), Citibank nevertheless preferred to maintain the status quo for how the USD ISDAFIX benchmarks were set because as a dealer with access to Swaps Broker, the system worked to their advantage. In a December 2010 email, the ISDA Rates Steering Committee, in response to the summer 2010 article “criticizing page 19901,” sought industry feedback and commented that “[t]he feedback from [Swaps Broker] is that the market values the current rates/spreads and the way in which they are generated [and] so believe changing the process would be a bad idea. Firms are asked to revert to ISDA . . . with any thoughts or opinions on this.” (Emphasis omitted.) The Head of G10 Rates 2 sent ISDA’s request for feedback to Options Trader 2 and Swaps Trader 1 with the note that “this probably effects [sic] you [*i.e.*, Options Trader 2] more than [Swaps Trader 1]. [C]an you guys come up with a firm view to send into ISDA?” Options Trader 2 responded that “[w]e have not had any problems with the current process for setting the rates If anyone suggests a change that they are considering we would like [to] comment on that change.”

5. Additional Examples of Attempts To Manipulate ISDAFIX to Benefit Citibank’s Derivatives Trading Positions

During the Relevant Period, Citibank’s traders used various means in attempts to move USD ISDAFIX higher or lower to benefit their derivatives trading positions. Following are additional specific examples of Citibank traders relating to their attempts to manipulate USD ISDAFIX to benefit cash-settled swaptions or curve option positions.

- On January 16, 2007, Citibank had a cash settlement on a 1-year swaption with a notional value of \$1 billion; Citibank’s payment to its counterparty would be lower if the 1-year USD ISDAFIX set lower. That same day, Options Trader 2 called Swaps Broker and asked: “one-year rate, you guys publish, what affects that . . . how do you guys get that?”

Do you just use the strip [*i.e.*, Eurodollar futures] for that?,” and Citibank submitted its 1-year rate lower than the reference rate that Swaps Broker disseminated to panel banks.

- On December 7, 2007, Citibank had cash settlements on two 10-year swaptions with a combined notional value of over \$160 million; Citibank would receive higher payments from its counterparties if the USD ISDAFIX benchmark set lower. At approximately 10:54 a.m., one broker at Swaps Broker sent an instant message to another broker at Swaps Broker advising that Options Trader 2 is “SAYING HE HAS INTEREST I [sic] THE SETTING TODAY IN 10’S WANTS THEM LOW.” On that day, Citibank bought 10-year U.S. Treasuries through Swaps Broker before 11 a.m. and (through Options Trader 2) sold swap spreads through Swaps Broker, both of which would have had a downward impact on where the 10-year rate set. Citibank also submitted its 10-year rate lower than the reference rate that Swaps Broker disseminated to panel banks.
- On June 6, 2008, Exotics Trader 1 had a curve option resetting against USD ISDAFIX. Exotics Trader 1 sent an instant message to Swaps Trader 1 before 11 a.m., stating that: “[I] have 125K 01 10s2s fixing [and] might need your help on the spreads. [I]s it easy to push these days?” Swaps Trader 1 replied: “FEELS LIKE IT NOW BUT YOU NEVER KNOW WHAT OTHERS HAVE AROUND THE FIXINGS. I WILL BE HAPPY TO HELP.” Exotics Trader 1 further instructed, “when it’s close [to] 11am, [I] might try to lift the 2y spreads higher.[]Thanks.” Citibank sold 2-year U.S. Treasuries through Swaps Broker before 11 a.m. and bought 2-year swap spreads through Swaps Broker, both of which would have had an upward impact on where the 2-year rate set. Citibank also submitted its 2-year rate higher than the rate that Swaps Broker disseminated to panel banks.
- As noted above, on November 18, 2008, Exotics Trader 1 stated to a trader at another firm that he, Exotics Trader 1, “sold 60[]bonds” because he was “pushing out the isdafixing” and that he had “a big reset today on a digital.” In the minutes leading up to 11:00 a.m., Citibank sold approximately 55 30-year U.S. Treasuries through Swaps Broker. Citibank also submitted its 30-year rate higher than the rate that Swaps Broker disseminated to panel banks.
- On January 12, 2009, Citibank had a cash settlement on a 10-year swaption with a notional value of \$200 million; Citibank would receive a higher payment from its counterparty if the 10-year USD ISDAFIX benchmark set lower. At approximately 10:33 a.m., Options Trader 2 notified Swaps Trader 1 that he, Options Trader 2, had a cash settlement “AT 11 TODAY SO I WILL NEED TO BE IN [Swaps Broker] BEFOREHAND AND WILL NEED TO SELL 10 YR SPREADS.” On that day, the Bank (including Options Trader 2) bought 10-year U.S. Treasuries before 11 a.m. and sold 10-year swap spreads through Swaps Broker, both of which would have had a downward impact on where the 10-year rate set. Citibank also submitted its 10-year rate lower than the reference rate that Swaps Broker disseminated to panel banks.
- On January 29, 2009, Citibank had a cash settlement on a 10-year swaption with a notional value of \$200 million; Citibank would receive a higher payment from its

counterparty if the 10-year USD ISDAFIX benchmark set higher. At approximately 10:37 a.m., one of the options brokers at Swaps Broker told another broker at Swaps Broker that “[Options Trader 2] at citi has an 11 oclock [sic] in 10yrs. [H]e is a payer and i dont [sic] think he has alot [sic] of ammo.” Approximately six minutes later, another individual at Swaps Broker relayed to another individual at Swaps Broker that “citi [was] going to buy 10 up @ 11am.” Citibank sold 10-year U.S. Treasuries through Swaps Broker before 11 a.m. and (through Options Trader 2) bought 10-year swap spreads through Swaps Broker, both of which would have had an upward impact on where the 10-year rate set. Citibank also submitted its 10-year rate higher than the rate that Swaps Broker disseminated to panel banks.

- On February 9, 2009, Citibank had a cash settlement on two 10-year swaptions with a combined notional value of \$550 million; Citibank would receive higher payments from its counterparties if the 10-year USD ISDAFIX benchmark set higher. On the morning of February 9, 2009, Options Trader 2 sent an instant message to Swaps Trader 2, stating that “I AM GOING TO HAVE A CASH SETTLE LATER TODAY -- WILL GET ON W/ [a broker at Swaps Broker] ABOUT IT IF THAT IS OK.” Swaps Trader 2 replied, “sure. what do you need to do?” and Options Trader 2 responded, “I WILL BE PAYING 10S.” Citibank sold 10-year U.S. Treasuries through Swaps Broker before 11 a.m. and (through Options Trader 2) bought 10-year swap spreads through Swaps Broker, both of which would have had an upward impact on where the 10-year rate set. Citibank also submitted its 10-year rate higher than the rate that Swaps Broker disseminated to panel banks.

IV.

LEGAL DISCUSSION

A. Jurisdiction

As set forth below, Sections 6(c), 6(d), and 9(a)(2) of the Act have long prohibited attempted manipulation of the prices of, or false reporting in regard to, *any* commodity in interstate commerce or for future delivery on or subject to the rules of any registered entity. 7 U.S.C. §§ 9, 13b, 13(a)(2) (2006). An interest rate benchmark, such as USD ISDAFIX, is a commodity, *see* Sections 1a(9) and (19) of the Act, 7 U.S.C. §§ 1a(9), (19) (2012); *see also* 7 U.S.C. §§ 1a(4), (13) (2006), and therefore may be subject to illegal attempted manipulation, whatever the manipulative means may be, or false reporting.

Here, Citibank’s attempted manipulation is also proscribed by the Act for the separate reason that the conduct involved swaps executed or traded on a Swaps Broker desk that operated in practice as a “trading facility” under the Act, *see* 7 U.S.C. § 1a(34) (2006) (defining trading facility); 7 U.S.C. §§ 2(d)(1)(B), 2(g)(3) (2006) (limiting jurisdictional exclusions to agreements, contracts, or transactions not executed or traded on a trading facility).

Lastly, as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”), the Commission also has authority to initiate proceedings and impose sanctions for a broader range of manipulative conduct and false reporting, including in

connection with any swap. *See* Sections 6(c)(1), 6(c)(1)(A), 6(c)(3), 6(d), and 9(a)(2) of the Act, 7 U.S.C. §§ 9(1), 9(1)(A), 9(3), 13b, 13(a)(2) (2012), and Regulations 180.1 and 180.2, 17 C.F.R. §§ 180.1, 180.2 (2015). The Relevant Period encompasses conduct that occurred after the passage and effective date of the Dodd-Frank Act.

B. Respondent Attempted to Manipulate USD ISDAFIX

Section 9(a)(2) of the Act makes it unlawful for “[a]ny person to manipulate or attempt to manipulate the price of any commodity in interstate commerce, or for future delivery on or subject to the rules of any registered entity.” 7 U.S.C. § 13(a)(2) (2006). With respect to conduct on or after July 16, 2011, amended Section 9(a)(2) of the Act also makes it unlawful to manipulate or attempt to manipulate the price of “any swap.” 7 U.S.C. § 13(a)(2) (2012).

For conduct prior to August 15, 2011, Sections 6(c) and 6(d) of the Act authorize the Commission to serve a complaint and provide for the imposition of, among other things, civil monetary penalties and cease and desist orders if the Commission “has reason to believe that any person . . . has manipulated or attempted to manipulate the market price of any commodity, in interstate commerce, or for future delivery on or subject to the rules of any registered entity, . . . or otherwise is violating or has violated any of the provisions of [the] Act.” 7 U.S.C. §§ 9, 13b (2006).

For conduct occurring on or after August 15, 2011, the Commission is authorized to serve a complaint and impose penalties and orders with regard to attempted manipulation in violation of the broader amended provisions of Sections 6(c)(1) and 6(c)(3) of the Act and the Regulations implementing those provisions. *See* Sections 6(c)(4)(A) and 6(d) of the Act, 7 U.S.C. §§ 9(4)(A), 13b (2012).

Sections 6(c)(1) and 6(c)(1)(A) of the Act prohibit the use or attempted use of any manipulative device, including false reporting, in connection with any swap or contract of sale of any commodity in interstate commerce, or for future delivery, 7 U.S.C. §§ 9(1), 9(1)(A) (2012), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2015), makes it “unlawful . . . , directly or indirectly, in connection with any swap, or contract of sale of any commodity in interstate commerce, or contract for future delivery on or subject to the rules of any registered entity, to . . . (1) [u]se . . . or attempt to use . . . any manipulative device; (2) [m]ake, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading; (3) [e]ngage, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any person; or, (4) [d]eliver or cause to be delivered, or attempt to deliver or cause to be delivered, for transmission through the mails or interstate commerce, . . . a false or misleading or inaccurate report concerning . . . market information or conditions that affect or tend to affect the price of any commodity in interstate commerce.”

Section 6(c)(3) of the Act prohibits the attempted manipulation of the price of any commodity in interstate commerce, 7 U.S.C. § 9(3) (2012), and Commission Regulation 180.2, 17 C.F.R. § 180.2 (2015), makes it “unlawful . . . directly or indirectly, to . . . attempt to manipulate the price of any swap, or of any commodity in interstate commerce, or for future delivery on or subject to the rules of any registered entity.”

To prove attempted manipulation under each of these provisions, the following two elements are required: (1) an intent to affect market price, and (2) an overt act in furtherance of that intent. See *In re Hohenberg Bros. Co.* [1975-77 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 20,271, at 21,477 (CFTC Feb. 18, 1977). To prove the intent element of attempted manipulation, the respondent must have “acted (or failed to act) with the purpose or conscious object of causing or effecting a price or price trend in the market that did not reflect the legitimate forces of supply and demand” *In re Ind. Farm Bureau Coop. Ass’n*, [1982-1984 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 21,796, at 27,283 (CFTC Dec. 17, 1982). “[W]hile knowledge of relevant market conditions is probative of intent, it is not necessary to prove that the accused knew to any particular degree of certainty that his actions would create an artificial price. It is enough to present evidence from which it may reasonably be inferred that the accused ‘consciously desire[d] that result, whatever the likelihood of that result happening from his conduct.’” *Id.* (quoting *United States v. U.S. Gypsum Co.*, 438 U.S. 442, 445 (1978)). A profit motive may also be evidence of intent, although profit motive is not a necessary element of an attempted manipulation. See *In re DiPlacido* [2007-2009 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 30,970, at 62,484 (CFTC Nov. 5, 2008) (citing *In re Hohenberg Bros. Co.*, [1975-1977 Transfer Binder] Comm. Fut. L. Rep. (CCH) at 21,478), *aff’d sub. nom. DiPlacido v. CFTC*, 364 F. App’x 657 (2d Cir. 2009). It is also not necessary that there be an actual effect on price. See *CFTC v. Amaranth Advisors, L.L.C.*, 554 F. Supp. 2d 523, 533 (S.D.N.Y. 2008).

1. Respondent Attempted to Manipulate USD ISDAFIX Through False, Misleading, or Knowingly Inaccurate Submissions

As evidenced by testimony of Citibank traders and others, Citibank’s USD ISDAFIX submissions themselves, and certain electronic communications, certain Citibank traders specifically intended to affect the rate at which USD ISDAFIX was set by making false, misleading, or knowingly inaccurate submissions to Swaps Broker for inclusion in the calculation of the daily rates. During the Relevant Period, Citibank submitted market information, specifically rates that were supposed to reflect the mean of where Citibank would itself offer and bid a USD denominated swap in the relevant maturity to an acknowledged dealer of good credit, to Swaps Broker that were used as part of the process for determining the daily USD ISDAFIX rate for the various maturities. However, rather than submitting rates and spreads that reflected Citibank’s honest view of the true costs of entering into a standard USD interest-rate swap in particular maturities, Citibank knowingly made submissions with the intent to move USD ISDAFIX rates higher or lower in order to benefit Citibank’s trading positions. Through its false, misleading, or knowingly inaccurate submissions, Citibank attempted to manipulate USD ISDAFIX for numerous tenors.

The Citibank traders’ oral and written requests for certain rates to be submitted which would benefit their trading positions, and the submissions resulting from those requests, constituted overt acts in furtherance of the traders’ intent to affect USD ISDAFIX. By doing so, the Citibank traders engaged in acts of attempted manipulation in violation of Sections 6(c), 6(d), and 9(a)(2) of the Act, 7 U.S.C. §§ 9, 13b, 13(a)(2) (2006). Additionally, with respect to conduct occurring on or after August 15, 2011, the Citibank traders engaged in acts of attempted manipulation in violation of Section 6(c)(3), 7 U.S.C. § 9(3) (2012), and Regulation 180.2, 17 C.F.R. § 180.2 (2015), and they used or attempted to use a manipulative device in violation of

Sections 6(c)(1) and 6(c)(1)(A), 7 U.S.C. §§ 9(1), 9(1)(A) (2012), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2015).

2. Respondent Attempted to Manipulate USD ISDAFIX Through Improper Trading Conduct

As evidenced by the communications among certain Citibank traders and between certain Citibank traders and their brokers, as well as certain trading conduct, Citibank traders specifically intended to manipulate USD ISDAFIX by placing bids or offers or executing trades in the moments leading into 11:00 a.m. designed in a manner, including timing and pricing, to increase or decrease swap spreads and U.S. Treasuries at 11:00 a.m., with the intent to affect levels reported on the 19901 screen and USD ISDAFIX fixings. Moreover, the evidence reflects that certain traders intended such trading conduct to affect the fixings in order to benefit Citibank's trading positions against the Bank's counterparties.

The Citibank traders' bids, offers, and executed trades in the moments leading into 11:00 a.m., which were intended to affect USD ISDAFIX, as well as the traders' communications with each other and with their Swaps Broker brokers to plan and execute this trading conduct, constituted overt acts in furtherance of their intent to affect USD ISDAFIX. The Citibank traders thereby engaged in acts of attempted manipulation in violation of Sections 6(c), 6(d), and 9(a)(2) of the Act, 7 U.S.C. §§ 9, 13b, 13(a)(2) (2006). Additionally, with respect to conduct occurring on or after August 15, 2011, Citibank engaged in acts of attempted manipulation in violation of Section 6(c)(3), 7 U.S.C. § 9(3) (2012), and Regulation 180.2, 17 C.F.R. § 180.2 (2015), and it used or attempted to use a manipulative device in violation of Sections 6(c)(1) and 6(c)(1)(A) of the Act, 7 U.S.C. §§ 9(1), 9(1)(A) (2012), and Regulation 180.1(a), 17 C.F.R. § 180.1(a) (2015).

C. Respondent Made False, Misleading, or Knowingly Inaccurate Reports Concerning USD ISDAFIX in Violation of Section 9(a)(2) of the Act

In addition to the prohibition on attempted manipulation contained in Section 9(a)(2) of the Act, that provision also makes it unlawful for any person "knowingly to deliver or cause to be delivered for transmission through the mails or interstate commerce by telegraph, telephone, wireless, or other means of communication false or misleading or knowingly inaccurate reports concerning crop or market information or conditions that affect or tend to affect the price of any commodity in interstate commerce." 7 U.S.C. § 13(a)(2) (2006); *see also United States v. Brooks*, 681 F.3d 678 (5th Cir. 2012); *United States v. Valencia*, 394 F.3d 352 (5th Cir. 2004); *CFTC v. Johnson*, 408 F. Supp. 2d 259, 267 (S.D. Tex. 2005).

During the Relevant Period, Citibank, through electronic and telephonic transmission of information to Swaps Broker, on multiple occasions knowingly delivered or caused to be delivered the Bank's USD ISDAFIX submissions through the mails or interstate commerce. Citibank's submissions were also delivered through the mails or interstate commerce through daily dissemination and publication globally, including throughout the United States, of the official published rates for USD ISDAFIX, as determined by averaging the submissions of Citibank and other panel banks after "topping and tailing." Data on submissions themselves were also disseminated. Citibank's daily USD ISDAFIX submissions contained market information

concerning the mean of where Citibank would itself offer and bid a swap in the relevant maturity to an acknowledged dealer of good credit in the swap market absent intent to manipulate USD ISDAFIX. Such market information affected or tended to affect the prices of commodities in interstate commerce, including the daily fixing rates for USD ISDAFIX, as well as the on-exchange interest rate swap futures and other financial instruments which relied upon those rates.

During the Relevant Period, Citibank's USD ISDAFIX submissions on multiple occasions constituted false, misleading, or knowingly inaccurate reports because they purported to reflect Citibank's honest view of the true costs of entering into a standard fixed-for-floating interest rate swap in particular tenors, but in fact on multiple occasions reflected traders' desire to move USD ISDAFIX higher or lower in order to benefit their positions.

By using these impermissible factors in making its USD ISDAFIX submissions and without disclosing that it based its submissions on these impermissible factors, Citibank conveyed false, misleading, or knowingly inaccurate information that the rates it submitted were based on the prices at which Citibank would offer and bid swaps to an acknowledged dealer of good credit in the swaps market absent intent to manipulate USD ISDAFIX. Moreover, certain Citibank traders knew that Citibank's USD ISDAFIX submissions contained false, misleading, or knowingly inaccurate information. By such conduct, Respondent violated Section 9(a)(2) of the Act, 7 U.S.C. § 13(a)(2) (2006).

D. Respondent Is Liable for the Acts of Its Agents

Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Regulation 1.2, 17 C.F.R. § 1.2 (2015), provide that "[t]he act, omission, or failure of any official, agent, or other person acting for any individual, association, partnership, corporation, or trust within the scope of his employment or office shall be deemed the act, omission, or failure of such individual, association, partnership, corporation, or trust." Pursuant to Section 2(a)(1)(B) of the Act and Commission Regulation 1.2, strict liability is imposed on principals for the actions of their agents. *See, e.g., Rosenthal & Co. v. CFTC*, 802 F.2d 963, 966 (7th Cir. 1986); *Dohmen-Ramirez & Wellington Advisory, Inc. v. CFTC*, 837 F.2d 847, 857-58 (9th Cir. 1988); *CFTC v. Byrnes*, 58 F. Supp. 3d 319, 324 (S.D.N.Y. 2014).

Citibank is liable for the acts, omissions, and failures of any traders, managers, and Submitters who acted as its employees and/or agents in the conduct described above. Accordingly, as set forth above, Citibank violated Sections 6(c), 6(d), and 9(a)(2) of the Act, 7 U.S.C. §§ 9, 13b, 13(a)(2) (2006); Sections 6(c)(1), 6(c)(1)(A), 6(c)(3), 6(d), and 9(a)(2) of the Act, 7 U.S.C. §§ 9(1), 9(1)(A), 9(3), 13b, 13(a)(2) (2012); and Regulations 180.1(a) and 180.2, 17 C.F.R. §§ 180.1(a), 180.2 (2015).

V.

FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that Respondent violated Sections 6(c), 6(d), and 9(a)(2) of the Act, 7 U.S.C. §§ 9, 13b, 13(a)(2) (2006), and for conduct occurring on

or after August 15, 2011, Sections 6(c)(1), 6(c)(1)(A), 6(c)(3), 6(d), and 9(a)(2) of the Act, 7 U.S.C. §§ 9(1), 9(1)(A), 9(3), 13b, 13(a)(2) (2012), and Regulations 180.1(a) and 180.2, 17 C.F.R. §§ 180.1(a), 180.2 (2015).

VI.

OFFER OF SETTLEMENT

Respondent, without admitting or denying the findings or conclusions herein, has submitted the Offer in which it:

- A. Acknowledges receipt of service of this Order;
- B. Admits the jurisdiction of the Commission with respect to this Order only and for any action or proceeding brought or authorized by the Commission based on violation of or enforcement of this Order;
- C. Waives:
 - 1. the filing and service of a complaint and notice of hearing;
 - 2. a hearing;
 - 3. all post-hearing procedures;
 - 4. judicial review by any court;
 - 5. any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offer;
 - 6. any and all claims that it may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2012) and 28 U.S.C. § 2412 (2012), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Commission's Regulations, 17 C.F.R. §§ 148.1-30 (2015), relating to, or arising from, this proceeding;
 - 7. any and all claims that it may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, §§ 201-253, 110 Stat. 847, 857-868 (1996), as amended by Pub. L. No. 110-28, § 8302, 121 Stat. 112, 204-205 (2007), relating to, or arising from, this proceeding; and
 - 8. any claims of Double Jeopardy based on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief;

- D. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondent has consented in the Offer; and
- E. Consents, solely on the basis of the Offer, to the Commission's entry of this Order that:
1. makes findings by the Commission that Respondent violated Sections 6(c), 6(d), and 9(a)(2) of the Act, 7 U.S.C. §§ 9, 13b, 13(a)(2) (2006), and for conduct occurring on or after August 15, 2011, Sections 6(c)(1), 6(c)(1)(A), 6(c)(3), 6(d), and 9(a)(2) of the Act, 7 U.S.C. §§ 9(1), 9(1)(A), 9(3), 13b, 13(a)(2) (2012), and Regulations 180.1(a) and 180.2, 17 C.F.R. §§ 180.1(a), 180.2 (2015);
 2. orders Respondent to cease and desist from violating Sections 6(c)(1), 6(c)(1)(A), 6(c)(3), 6(d), and 9(a)(2) of the Act, 7 U.S.C. §§ 9(1), 9(1)(A), 9(3), 13b, 13(a)(2) (2012), and Regulations 180.1(a) and 180.2, 17 C.F.R. §§ 180.1(a), 180.2 (2015);
 3. orders Respondent to pay a civil monetary penalty in the amount of two hundred fifty million U.S. dollars (\$250,000,000) plus post-judgment interest; and
 4. orders Respondent and its successors and assigns to comply with the conditions and undertakings consented to in the Offer and as set forth in Part VII of this Order.
- F. Respondent represents that it has already undertaken certain steps intended to make reasonable efforts to ensure the integrity of interest-rate swap benchmarks, including, but not limited to, the following:
1. In October 2012, Respondent changed its USD ISDAFIX submissions process to use Citibank's live trading prices from the Swaps Desk as the basis for submissions.
 2. Respondent also provided guidance and training emphasizing the need to prevent manipulation of benchmark rates and prohibiting improper communications with submitters. Respondent continues to develop and implement additional policies governing benchmark activity (including policies related to interest-rate swap benchmarks).
 3. Respondent has enhanced its oversight and governance over its benchmark activity, including through the establishment of a Benchmark Steering Committee to oversee a global review of Citibank's controls surrounding its participation in benchmarks (including interest-rate swap benchmarks) and enhancements to those controls. As part of this review, Respondent conducted an assessment of its participation in submissions-based

benchmark rates (including interest-rate swap benchmarks). Through this process, Citibank exited a number of such benchmarks, including USD ISDAFIX in January 2014 (until it transitioned to a new administrator and methodology, as referenced in footnote 2 above, which captures Citibank's active trading as part of the calculation methodology).

4. Further, Respondent has been developing and implementing enhancements to its controls surrounding its participation in benchmarks (including interest-rate swap benchmarks), including, but not limited to:
 - a. measures to strengthen electronic and oral communications surveillance, including measures designed to detect communications suggesting possible manipulation of benchmark rates (including interest-rate swap benchmarks);
 - b. monitoring systems designed to detect and prevent potential manipulation of benchmark rates (including interest-rate swap benchmarks) through trading;
 - c. enhanced policies and procedures relating to ethical behavior and prohibited conduct and escalation, as well as policies and procedures providing for trading desk supervision of traders' conduct related to interest-rate swap benchmarks;
 - d. training, at least annually, of all employees involved in benchmark-rate related activity (including activity related to interest-rate swap benchmarks) that includes training about what constitutes prohibited submissions and/or trading practices (such as manipulative trading) and the importance of escalating any improper activity; and
 - e. the development of a central process for identifying, investigating, escalating, documenting, and tracking discipline related to suspected misconduct in benchmark activity (including activity related to interest-rate swap benchmarks).

Upon consideration, the Commission has determined to accept the Offer.

VII.

ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

- A. Respondent shall cease and desist from violating Sections 6(c)(1), 6(c)(1)(A), 6(c)(3), 6(d), and 9(a)(2) of the Act, 7 U.S.C. §§ 9(1), 9(1)(A), 9(3), 13b,

13(a)(2) (2012), and Regulations 180.1(a) and 180.2, 17 C.F.R. §§ 180.1(a), 180.2 (2015).

- B. Respondent shall pay a civil monetary penalty of two hundred fifty million U.S. dollars (\$250,000,000), within ten (10) days of the date of entry of this Order (the “CMP Obligation”). If the CMP Obligation is not paid in full within ten (10) days of the date of entry of this Order, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961 (2012). Respondent shall pay the CMP Obligation by electronic funds transfer, U.S. postal money order, certified check, bank cashier’s check, or bank money order. If payment is to be made other than by electronic funds transfer, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

Commodity Futures Trading Commission
Division of Enforcement
ATTN: Accounts Receivables --- AMZ 340
E-mail Box: 9-AMC-AMZ-AR-CFTC
DOT/FAA/MMAC
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169
Telephone: (405) 954-7262

If payment is to be made by electronic funds transfer, Respondent shall contact Nikki Gibson or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Respondent shall accompany payment of the CMP Obligation with a cover letter that identifies the Respondent and the name and docket number of this proceeding. The Respondent shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

- C. Respondent and its successors and assigns shall comply with the following undertakings set forth in the Offer:

1. REMEDIATION

As set forth above in Section VI, paragraph F, Respondent represents that it has already undertaken and continues to undertake extensive remedial measures to implement and strengthen its internal controls and procedures relating to the fixing of interest-rate swaps benchmarks and related supervision of its swaps, options, and exotics desks. With respect to its remediation efforts to the extent not already undertaken, Respondent undertakes that:

- a. Respondent will implement and improve its internal controls and procedures in a manner reasonably designed to ensure the integrity of the fixing of any interest-rate swap benchmark, including measures to identify and address internal or external conflicts of interest;
- b. Respondent's remediation improvements will include internal controls and procedures relating to:
 - 1. measures designed to enhance the detection and deterrence of improper communications concerning interest-rate swap benchmarks, including the form and manner in which communications may occur;
 - 2. monitoring systems designed to enhance the detection and deterrence of trading or other conduct potentially intended to manipulate directly or indirectly swap rates, including benchmarks based on interest-rate swaps;
 - 3. periodic audits, at least annually, of Respondent's participation in the fixing of any benchmark based on interest-rate swaps;
 - 4. supervision of trading desks that participate in the fixing of any benchmark based on interest-rate swaps;
 - 5. supervision of trading desk conduct that relates to any interest-rate swap benchmark;
 - 6. routine and on-going training of all traders, supervisors and others who are involved in the fixing of any benchmark based on interest-rate swaps;
 - 7. routine and on-going training of all trading desk personnel relating to the trading of any product that references a benchmark based on interest-rate swaps;
 - 8. processes for the periodic but routine review of written and oral communications of any traders, supervisors and others who are involved in the fixing of any benchmark based on interest-rate swaps with the review being documented and documentation being maintained for a period of three years; and
 - 9. continuing to implement a system for reporting, handling and investigating any suspected misconduct or questionable, unusual or unlawful activity relating to the fixing of any

benchmark based on interest-rate swaps with escalation to compliance and legal, and with reporting of material matters to the executive management of Citibank and the Commission, as appropriate; the Respondent shall maintain the record basis of the handling of each such matter for a period of three years.

- c. Within 120 days of the entry of this Order, the Respondent shall make a report to the Commission, through the Division, concerning its remediation efforts prior to and since the entry of this Order. Within 365 days of the entry of this Order, the Respondent shall submit a report to the Commission, through the Division, explaining how it has complied with the undertakings set forth herein. The report shall contain a certification from a representative of the Respondent's Executive Management, after consultation with the Respondent's chief compliance officer(s), that the Respondent has complied with the undertakings set forth above, and that it has established policies, procedures, and controls to satisfy the undertakings set forth in the Order.

2. COOPERATION WITH THE COMMISSION

In this action, and in any investigation or other action instituted by the Commission related to the subject matter of this action, Respondent shall cooperate fully and expeditiously with the Commission, including the Division. As part of such cooperation, Respondent agrees to the following for a period of three (3) years from the date of the entry of this Order, or until all related investigations and litigations in which the Commission, including the Division, is a party, are concluded, including through the appellate review process, whichever period is longer:

- a. Preserve all records relating to the subject matter of this proceeding, including, but not limited to, audio files, electronic mail, other documented communications, and trading records;
- b. Comply fully, promptly, completely, and truthfully with all inquiries and requests for non-privileged information or documents;
- c. Provide authentication of documents and other evidentiary material;
- d. Provide copies of non-privileged documents within the Bank's possession, custody, or control;

- e. Subject to applicable laws and regulations, make its best efforts to produce any current (as of the time of the request) officer, director, employee, or agent of the Bank, regardless of the individual's location, and at such location that minimizes Commission travel expenditures, to provide assistance at any trial, proceeding, or Commission investigation related to the subject matter of this proceeding, including, but not limited to, requests for testimony, depositions, and/or interviews, and to encourage them to testify completely and truthfully in any such proceeding, trial, or investigation; and
- f. Subject to applicable laws and regulations, make its best efforts to assist in locating and contacting any prior (as of the time of the request) officer, director, employee, or agent of the Bank;

Respondent also agrees that it will not undertake any act that would limit its ability to cooperate fully with the Commission. The Bank will designate an agent located in the United States of America to receive all requests for information pursuant to these Undertakings, and shall provide notice regarding the identity of such Agent to the Division upon entry of this Order. Should the Bank seek to change the designated agent to receive such requests, notice of such intention shall be given to the Division fourteen (14) days before it occurs. Any person designated to receive such request shall be located in the United States of America.

3. PROHIBITED OR CONFLICTING UNDERTAKINGS

Should the Undertakings herein be prohibited by, or be contrary to, the provisions of any obligations imposed on Respondent by any presently existing, or hereinafter enacted or promulgated laws, rules, regulations, or regulatory mandates, then Respondent shall promptly transmit notice to the Commission (through the Division) of such prohibition or conflict, and shall meet and confer in good faith with the Commission (through the Division) to reach an agreement regarding possible modifications to the Undertakings herein sufficient to resolve such inconsistent obligations. In the interim, Respondent will abide by the obligations imposed by the laws, rules, regulations, and regulatory mandates. Nothing in these Undertakings shall limit, restrict or narrow any obligations pursuant to the Act or the Commission's Regulations promulgated thereunder, including, but not limited to, Regulations 1.31 and 1.35, 17 C.F.R. §§ 1.31, 1.35 (2015), in effect now or in the future.

4. PUBLIC STATEMENTS

Respondent agrees that neither it nor any of its successors and assigns, agents, or employees under its authority or control shall take any action or

make any public statement denying, directly or indirectly, any findings or conclusions in this Order or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect Respondent's (i) testimonial obligations, or (ii) right to take positions in other proceedings to which the Commission is not a party. Respondent and its successors and assigns shall undertake all steps necessary to ensure that all of its agents and/or employees under its authority or control understand and comply with this agreement.

5. PARTIAL SATISFACTION

Respondent understands and agrees that any acceptance by the Commission of partial payment of Respondent's CMP Obligation shall not be deemed a waiver of its obligation to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.

The provisions of this Order shall be effective as of this date.

By the Commission.



Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission

Dated: May 25, 2016