



Commodity Futures Trading Commission

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Examples of Citibank's USD ISDAFIX Misconduct

Citibank Exotics Trader Boasts About Influencing the USD ISDAFIX Benchmark

- In March 2008, one of Citibank's exotics traders stated in separate instant messages to other market participants that "[I] moved the screen btw" and "[I] moved the screen to 183 on 2s10s... [One of Citibank's swaps traders] is pretty good at it," and "[I] push the 2s10s swap on the screen to 183.4, very proud of myself." (Emphasis added.)
- In October 2008, the same exotics trader 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.)

Citibank Makes a False ISDAFIX Report in an Attempt to Manipulate the 1-Year Rate After Asking Interest Rate Swaps Broking Firm What "Affects" the 1-Year Rate

- In January 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, a trader on the options desk called Citibank's interest rate broking firm 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?"
- Citibank submitted its 1-year rate lower than the reference rate disseminated to panel banks.

Citibank Exotics Trader Sells Treasuries To, In His Words, "Push[] Out the Isdafixing" in Connection with a "Big Reset Today on a Digital"

- In November 2008, one of Citibank's exotics traders stated to a trader at another firm that he, the exotics trader, "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 the minutes leading up to 11:00 a.m., Citibank sold approximately 55 30-year U.S. Treasuries.
- Citibank also submitted its 30-year rate higher than the rate disseminated to panel banks.

Citibank Exotics Trader Asks a Citibank Swaps Trader to “Push the [2-Year] Spread Lower Before 11”

- In April 2008, a Citibank exotics trader sent an instant message to a Citibank swaps trader: “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.)
- The swaps trader 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.”

Citibank Attempts to Manipulate USD ISDAFIX to Benefit Curve Option, and Citibank Exotics Trader Tells a Citibank Swaps Trader “When It’s Close [to] 11am, [I] Might Try to Lift the [2-Year] Spreads Higher”

- In June 2008 one of Citibank’s exotics traders had a curve option resetting against USD ISDAFIX.
- The exotics trader sent an instant message to one of Citibank’s swaps traders 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?”
- The swaps trader replied: “FEELS LIKE IT NOW BUT YOU NEVER KNOW WHAT OTHERS HAVE AROUND THE FIXINGS. I WILL BE HAPPY TO HELP.”
- The exotics trader 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 before 11 a.m. and bought 2-year swap spreads, 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 reference rate disseminated to panel banks.

Citibank Exotics Trader Tells a Citibank Swaps Trader That He, the Exotics Trader, Has a Reset on a Curve Option and That He “Might Need You Guys to Help Me Put 10s30s to Reset Below 0”

- On 2008, a Citibank exotics trader notified a Citibank swaps trader 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, the exotics trader told the swaps trader that “looks like [I] don’t even have to push!”
- The swaps trader agreed, noting that two other dealers were “pushing it for you...nice.”

Citibank Attempts to Manipulate USD ISDAFIX to Benefit Cash-Settled Swaptions, and a Broker Comments That a Trader on Citibank's Options Desk is "Saying He Has Interest [in] the Setting Today" and "Wants Them Low"

- In December 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 Citibank's interest rate broking firm sent an instant message to another broker at that broking firm advising that a trader on Citibank's options desk 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 before 11 a.m. and sold swap spreads, 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 disseminated to panel banks.

Citibank Attempts to Manipulate USD ISDAFIX to Benefit a Cash-Settled Swaption, and a Broker States that the Bank Is "Going to Buy 10 Up @ 11am"

- In January 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 Citibank's interest rate broking firm told another broker at the broking firm that "[a trader on Citibank's options desk] 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 the broking firm relayed to another individual at the broking firm that "citi [was] going to buy 10 up @ 11am."
- Citibank sold 10-year U.S. Treasuries before 11 a.m. and bought 10-year swap spreads, 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 reference rate disseminated to panel banks.

Citibank Attempts to Manipulate USD ISDAFIX to Benefit a Cash-Settled Swaption, and a Trader on the Options Desk Tells a Swaps Trader That "Will Need to Sell 10 [Year] Spreads"

- In January 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., a trader on the options desk notified one of Citibank's swaps traders that the options trader had a cash settlement "AT 11 TODAY SO I WILL NEED TO BE IN [Citibank's interest rate broking firm] BEFOREHAND AND WILL NEED TO SELL 10 YR SPREADS."

- On that day, the Bank bought 10-year U.S. Treasuries before 11 a.m. and sold 10-year swap spreads, 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 disseminated to panel banks.

Trader on Citibank's Options Desk Discusses Transferring Risk from the Options to the Swaps Desk and Giving the Swaps Desk an Opportunity to Benefit by Pushing Up the Benchmark

- In a September 2010 instant message conversation with a junior sales analyst, a Citibank options trader explained a series of transactions in which the options desk (in connection with large cash-settled swaptions) transferred its risk to the swaps desk.
- As the options trader explained, the options desk “swap settled” with the swaps desk, and one of the swaps traders “took the risk . . . and made [money].”
- After the options trader explained the transactions, the analyst wrote back that the swaps trader “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 the options trader commented “u should pay for my lessons :-).”