



EUROPEAN COMMISSION

PRESS RELEASE

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Antitrust: Commission settles RBS-JPMorgan cartel in derivatives based on Swiss franc LIBOR; imposes € 61.6 million fine on JPMorgan

(See also the [Statement](#) by Commission Vice-President Joaquín Almunia.)

The European Commission has found that two international banks, RBS and JP Morgan, participated in an illegal bilateral cartel aimed at influencing the Swiss franc Libor benchmark interest rate between March 2008 and July 2009. Such collusion is prohibited by EU antitrust rules. The banks agreed to settle the case with the Commission under a simplified procedure. RBS received immunity from fines for revealing the existence of the cartel to the Commission. JPMorgan was fined € 61 676 000 after benefitting from a reduction of its fine for its cooperation with the investigation under the Commission's 2006 Leniency Notice, as well as a 10% reduction for agreeing to settle the case with the Commission.

Commission Vice-President in charge of competition policy, Joaquín Almunia, said: *"This is the third case where the Commission finds a cartel related to the manipulation of a financial benchmark, in which major banks colluded instead of competing with each other. Our economy needs a healthy, transparent, well-functioning financial sector. This is why antitrust rules in this sector must be strictly enforced."*

Interest rate derivatives (e.g. forward rate agreements, swaps, futures, options) are financial products used for managing the risk of interest rate fluctuations. Between March 2008 and July 2009 RBS and JP Morgan tried to distort the normal course of the pricing of interest rate derivatives denominated in Swiss franc. They discussed the future Swiss Franc Libor rate submissions of one of the banks and at times exchanged information concerning trading positions and intended prices. The infringement covered the whole of the European Economic Area (EEA).

The fines

The fines were set on the basis of the [Commission's 2006 Guidelines on fines](#) (see [IP/06/857](#) and [MEMO/06/256](#)).

In setting the level of fines, the Commission took into account the banks' sales of the products concerned in the EEA, the very serious nature of the infringement, its geographic scope and its duration.

RBS was not fined as it benefited from immunity under the Commission's [2006 Leniency Notice](#) for revealing the existence of the cartel to the Commission and thereby avoided a fine of around € 110 million for its participation in the infringement. JP Morgan received a reduction of its fine for its cooperation in the investigation under the Commission's leniency programme. Both banks agreed to settle the case with the Commission, leading to a further reduction in fines of 10%.

Name of undertaking	Reduction under the Leniency Notice (%)	Fine (€)
RBS	100%	0
JP Morgan	40%	61 676 000
TOTAL		61 676 000

Background

Interest rate derivatives (e.g. forward rate agreements, swaps, futures, options) are financial products which are used by banks or companies for managing the risk of interest rate fluctuations. These products are traded worldwide and play a key role in the global economy. They derive their value from the level of a benchmark interest rate, such as the London interbank offered rate (LIBOR) – which is used for various currencies including the Swiss franc (CHF). This benchmark reflects an average of the quotes submitted daily by a number of banks who are members of a panel. It is intended to reflect the cost of interbank lending in Swiss franc and serves as a basis for various financial derivatives. The levels of the benchmark rate may affect either the cash flows that a bank receives from a counterparty, or the cash flow it needs to pay to the counterparty under interest rate derivatives contracts.

In December 2013, the Commission already fined several banks for their participation in cartels in Euro and Yen interest rate derivatives (see [IP/13/1208](#)). This decision is therefore the third cartel related to a financial benchmark that the Commission has found and sanctioned. Anti-cartel enforcement is a top priority for the Commission and no sector is exempt, including the financial sector. Banks should refrain from engaging into such practices and should comply with EU competition rules.

The settlement procedure

Today's decision is the 15th settlement since the introduction of the settlement procedure for cartels in June 2008 (see [IP/08/1056](#) and [MEMO/08/458](#)). Under a settlement, companies acknowledge their participation in a cartel infringement and their liability for it. Settlements are based on the Antitrust Regulation 1/2003 and allow the Commission to apply a simplified procedure and thereby reduce the length of the investigation. This is good for consumers and for taxpayers as it reduces costs; good for antitrust enforcement as it frees up resources to tackle other suspected cases; and good for the companies themselves that benefit from quicker decisions and a 10% reduction in fines.

The Commission previously reached settlements with participants in cartels for DRAMs ([IP/10/586](#)), animal feed phosphates ([IP/10/985](#)), washing powder ([IP/11/473](#)), glass for cathode ray tubes ([IP/11/1214](#)), compressors for fridges ([IP/11/1511](#)), water management products ([IP/12/704](#)), wire harnesses ([IP/13/673](#)), euro and yen interest rate derivatives ([IP/13/1208](#)), Polyurethane Foam ([IP/14/88](#)), Power Exchanges ([IP/14/215](#)), Bearings ([IP/14/280](#)), Steel Abrasives ([IP/14/359](#)) and Mushrooms ([IP/14/727](#)).

Action for damages

Any person or firm affected by anti-competitive behaviour as described in this case may bring the matter before the courts of the Member States and seek damages. The case law of the Court and Council Regulation 1/2003 both confirm that in cases before national courts, a Commission decision is binding proof that the behaviour took place and was illegal. Even though the Commission has fined the companies concerned, damages may be awarded without these being reduced on account of the Commission fine.

In June 2014, the European Parliament approved a proposal for a Directive that aims to make it easier for victims of anti-competitive practices to obtain damages for such infringements (see [IP/14/455](#) and [MEMO/14/310](#)). The Directive is based on a proposal by the Commission of June 2013 (see [IP/13/525](#) and [MEMO/13/531](#)). The proposal is now with the EU Council of Ministers for final approval. The text of the proposal and more information on antitrust damages actions is available at: <http://ec.europa.eu/competition/antitrust/actionsdamages/documents.html>.

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