



EU, COMPETITION AND REGULATED MARKETS

Commission Fines Big Banks: A Cartel Rigging Euribor Rates

by **Marco Hickey**

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The European Commission (the Commission) ended a five-year investigation into the Euribor interest rate rigging by fining Credit Agricole, HSBC and JP Morgan a total of €485m (£410m) for participating in a cartel in euro interest rate derivatives.

In its press release, the Commission said the banks had colluded on euro interest rate derivative pricing elements, and exchanged sensitive information, in breach of competition rules. JP Morgan, HSBC and Credit Agricole were fined €337.2m, €33.6m and €114.7m respectively. These fines were fixed on the basis of the Commission's 2006 "Guidelines on the method for setting fines", taking account of the value of sales by the banks in the EEA for the products concerned, the seriousness of the infringement, its geographical scope and its duration.

It is alleged that they were part of a seven-bank cartel that colluded between September 2005 and May 2008 to distort the Euribor interest rate which was set using quotes submitted by a panel of banks and is widely used in international money markets. Article 101 of the Treaty on the Functioning of the European Union (TFEU) and Article 53 of the EEA Agreement prohibit cartels and other restrictive business practices. According to the Commission's press release, transactions involving interest rate derivatives in euro have tremendous importance for banks and corporations. According to the Bank for International Settlements in June 2016, the global gross market value of interest rate derivatives in euro traded over the counter (OTC) represented US\$ 6401bn (currently € 5980bn) , about 42% of all interest rate derivatives traded OTC (all currencies) and 31% of all derivatives traded OTC (all categories of assets).

These three banks opted out of a settlement in 2013 with the Commission that imposed almost €1bn in fines on Deutsche Bank, Société Générale and Royal Bank of Scotland. JP Morgan, HSBC and Credit Agricole have all issued statements defending their position, stating that they did not infringe competition law or engage in an anti-competitive cartel, and that they are considering their potential legal options, including possible appeals.

Barclays, as the whistleblower, avoided a penalty because it notified the Commission. The Commission found a series of chatroom messages between the traders at the banks congratulating each other on their actions.

Commissioner Margrethe Vestager said: "A sound and competitive financial sector is essential for investment and growth... Banks have to respect EU competition rules just like any other company operating in the single market."

For more information, please feel free to contact Marco Hickey, Partner and Head of the EU, Competition and Regulated Markets team at mhickey@lkshields.ie. Marco is the author of [Merger Control in Ireland](#) published by Thomson Reuters.

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