



# Commodity Futures Trading Commission

## Office of Public Affairs

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### Examples of Barclays' USD ISDAFIX Misconduct<sup>1</sup>

#### Barclays Instructs Broker to Buy Swap Spreads High in Attempt to Manipulate ISDAFIX to Be "as High as Possible"

- In 2008, a Barclays swaps trader, then a supervisor of multiple trading desks, told the Bank's broker: "Okay, at eleven o'clock, we have an option settlement, okay, I have 200 10s of ammo . . . and I need to get the screen as high as possible."
- The swaps trader then instructed the broker to buy swap spreads at higher, rather than lower levels: "don't let him hit me down at a quarter," he told the broker, "I want at least a half middle," referring to the higher USD ISDAFIX print he was seeking.
- On this day, Barclays stood to receive more in cash settlements from its counterparties the higher the 10-year USD ISDAFIX.

#### Barclays Submitter Instructed to Make False ISDAFIX Report in Attempt to Manipulate the Rate for Benefit of Barclays' Options Desk

In 2007, a Barclays swaps trader explained to the Bank's USD ISDAFIX submitter:

The options guys care where the 30-year is today, okay . . . So they want it lower . . . what you are going to do, just put in all the rates wherever . . . Put the 30-year rate at like five point four five five [5.455], okay? . . . They have options that expire and they depend on these rates and they get set at a certain level.

#### Multiple Barclays Desks Coordinate in Attempt to Manipulate ISDAFIX for Benefit of Barclays' Options Desk

- In 2007, Barclays' Options Desk in New York had a cash settlement on a 5-year swaption of \$635 million notional. Barclays traders on multiple desks coordinated to employ three methods of manipulation in an attempt to maximize the amount paid to Barclays in the swaption cash settlement.
- First, at approximately 10:50 a.m., a Barclays swaps trader contacted the Bank's broker on behalf of the Options Desk, and instructed the broker, "don't let 'em go down," referring to 5-year swap spreads.
  - As 11:00 a.m. approached, the swaps trader told the broker: "for the eleven o'clock fix I need to lift 5s up," "I want to keep it up," and "[i]f it gets hit down, you hit it right back up, don't let it go down."

<sup>1</sup> Unless otherwise indicated, all of the quotations in the ISDAFIX Order and these examples are drawn from audio recordings of trader and/or broker telephone lines.

- The swaps trader then told the broker, “I can burn like, four, five hun-, four hundred [million notional].”
- After trading only \$200 million of 5-year swap spreads, and withdrawing his offer seconds before 11:00 a.m., he said to the broker: “We got it right? We got the fix, good job.”
- Second, in parallel, also in the minutes leading up to 11:00 a.m., a Barclays options trader emailed traders on Barclays’ U.S. Treasuries desk: “I have an exercise at 11am this morning, I will need to sell 635 5s, but I want to push the screens down at 11, as much as . . . you can, so that I can get a better 11 am print.”
  - Pushing the 5-year U.S. Treasuries price down would increase the yield on those Treasuries and thereby increase the 5-year USD ISDAFIX.
- Lastly, another options trader emailed the USD ISDAFIX submitter at approximately 10:54 a.m., instructing, “We want higher 5s,” referring to the Bank’s 5-year USD ISDAFIX submission.

### **Barclays’ Swaps Desk Attempts to Manipulate ISDAFIX to Increase Opportunity to Profit from Intraday Swap Trade Priced at ISDAFIX**

- In 2010, Barclays’ Exotics Desk in London placed an order at approximately 9:14 a.m. which gave the Bank’s Swaps Desk in New York incentive to push up the 10-year USD ISDAFIX rate and push down the 2-year USD ISDAFIX rate. At approximately 10:43 a.m., a Barclays swaps trader initiated the following conversation with the Bank’s broker, making certain first that no one was listening on the line:

Swaps Trader: Could you pick me up?  
 Broker: I got you picked up.  
 Swaps Trader: Oh, okay. No one else is on the line, right?  
 Broker: No.  
 Swaps Trader: Alright, uh, I care about the elevens [11:00 a.m. fixings] okay.  
 Broker: Oh, great. What, okay, what do you wanna do and how much do you have to burn?  
 Swaps Trader: Yeah, so no one’s on the line right?  
 Broker: No, not at all.  
 Swaps Trader: Alright, um. So, I’m gonna want, uh, 10s higher and 2s lower, okay? So –  
 Broker: Okay.  
 Swaps Trader: Um, just, your discretion, I care more about 10s, but would care about both of ’em. Um, and have, uh, like two hundred [million] 10s and five hundred [million] 2-year spreads to use, okay?  
 Broker: Okay fine, you got it.

- Closer to 11:00 a.m., the broker sought confirmation that the trader did not genuinely want to fill an order of \$200 million notional: “you prefer not to burn the two hundred or any part of it, right?” The swaps trader agreed, “yeah.” The broker then traded on Barclays’ behalf in a manner consistent with the swaps trader’s instructions.

### **Barclays Times Trading in Attempt to Manipulate ISDAFIX While Minimizing “Ammunition” Spent**

In 2012, a Barclays swaps trader and desk head expressed his desire to “get a low print,” but not “spend” any of his “ammunition”:

- “At 11 o’clock, I have to get low print in 10-year spreads,” the swaps trader said.
- He added: “when I say ‘hit it,’ right, you can spend, um, two hundred fifty [million] 10-years in ammunition. I really don’t want to spend it . . . but if you can keep it at 8 . . . it will be perfect.”
- In the seconds before 11:00 a.m., the swaps trader instructed, “do it now,” at which time the broker yelled out: “10s down! 10s down!”

### **Barclays Instructs Broker to Trade in Attempt to Manipulate ISDAFIX to “Keep 10-Year Spreads Down”**

- In 2011, at approximately 10:59 a.m., a Barclays swaps trader told the Bank’s broker that a Barclays options trader “wants to keep 10-year spreads down. So, if you can, we don’t have much ammo, like a hundred; don’t let it go up to 9, hit it down.”
- The broker replied: “I hear you. I’m just gonna lock ’em down at 11.”
- On this day, Barclays stood to receive more from its counterparties, in multiple cash settlements, with a lower 10-year USD ISDAFIX.

### **Multiple Traders on Barclays’ Swaps Desk Attempt to Manipulate ISDAFIX to Increase Opportunity to Profit from Intraday Swap Trade Priced at ISDAFIX**

In 2008, Barclays swaps traders attempted to push down the 10-year USD ISDAFIX rate and to push up the 2-year USD ISDAFIX rate, so that Barclays’ Swaps Desk in New York would pay lower rates and receive higher ones in a trade with Barclays’ Exotics Desk in London. If successful, moving the USD ISDAFIX rates to the Swaps Desk’s advantage in this manner would move certain indices to the disadvantage of Barclays’ clients in trades facing the Exotics Desk.

- About a half hour before 11:00 a.m., a Barclays swaps trader told one of the Bank’s brokers: “At eleven o’clock, I want the ISDAFIX in the 2s as high as possible. So I’m gonna come in at like five minutes to eleven and try and bang – move 2-years up.”
- “I know [another bank] is on the offer,” he added, “but I have a bit of ammo.”
- At approximately 10:57 a.m., another one of the Bank’s brokers told a second Barclays swaps trader (a supervisor of multiple trading desks) that 10-year swap spreads were 61.5 bid and 61.75 offered. The trader replied, “Listen, I’m going to try to hit ’em down to 61.”
- The broker replied, “Oh, I don’t think you’re going to get there” and listed numerous buyers in the market. The Barclays trader then instructed the broker to “try and do as little as possible,” referring to the notional amount he was willing to spend to lower the 10-year spread.
- When the broker suggested that the trader may have to spend more, the trader said that the broker could trade “up to” \$250 million and should “just keep them, keep them fucking locked up.”
- When the broker replied, “I don’t think two-fifty’s gonna hold it, quite honestly,” the trader replied, “okay, but all we need to do is hold it for ten seconds,” referring to the seconds before 11:00 a.m.
- Just after 11:00 a.m., the Barclays trader remarked to the broker, “we got it . . . Yeah, you got it at sixty one

and a quarter, at 11.” The broker replied, “Oh god, I hope so, let me come right back. Let me go find out what I sold.”

- Later the same day, after the final rates were published, a third Barclays swaps trader, who had observed this trading activity by his colleagues, remarked to the broker who had received Barclays’ instructions as to the 2-year tenor: “Yeah, you did well at the 11 o’clock fix, man,” and it “sounded like you were actually holding the spreads up with your hands; like, it felt like you were bench pressing them over your head.”