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...surprisingly 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.

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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 :-).”