MARKETS

Rabobank Is Fined, CEO Is Out in Libor Settlement
Piet Moerland Becomes One of Highest-Profile Casualties of Alleged Rate-Rigging

By DAVID ENRICH and JENNY STRASBURG
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Dutch lender Rabobank agreed to pay $1.07 billion to settle accusations that it skewed key financial benchmarks and its chief executive resigned, the latest casualty of a global interest-rate-rigging scandal.

Rabobank's settlement with U.S., British, Dutch and Japanese authorities brings to five the number of large financial companies that have admitted trying to manipulate the London interbank offered rate, or Libor, and other benchmarks that underpin interest rates on trillions of dollars of financial contracts world-wide.

The companies collectively have paid more than $3.5 billion in penalties, making Libor one of the marquee financial scandals in recent history. Rabobank's payment is the second-largest, reflecting what authorities say was an extensive and long-standing rate-manipulation campaign.

Meanwhile, U.S. prosecutors appeared to close in on an additional prize: the likely assistance of a former Rabobank trader in building criminal cases against other former traders and brokers, according to people familiar with the case. The Justice Department had discussed filing charges against the former London-based trader, Paul Robson, on Tuesday, but opted not to in recent days amid talks with his lawyers about
"This investigation is a priority," said Mythili Raman, head of the Justice Department's criminal division, adding that the agency is continuing to pursue cases against individuals.

The addition of another cooperating witness to the Justice Department's five-year Libor investigation also underscores a widening gulf between U.S. and British law-enforcement agencies.

In the U.K., where Libor was administered and where much of the alleged manipulation took place, prosecutors have lagged behind their American counterparts in building cases against individuals, according to several people involved in or briefed on the investigations.

For example, a number of former bank traders and brokers who have aided the Justice Department investigation—including Mr. Robson—have had minimal contact, at most, with the U.K.'s Serious Fraud Office, these people said. In some cases, the British agency has ignored or dismissed repeated overtures from former London-based traders who have offered to cooperate in the Libor case, their lawyers say.

An SFO spokeswoman declined to comment.

Tuesday's settlement is a blow to Rabobank, a so-called cooperative lender that was founded by Dutch farmers and until recently was regarded by investors as one of the world's least-risky banks.

Rabobank's chief executive, Piet Moerland, said he was resigning "as a matter of principle." Mr. Moerland hasn't been accused of any wrongdoing or involvement in the case. He couldn't be reached for comment.

Mr. Moerland, a former Dutch academic who has published articles on corporate governance, is one of the highest-profile casualties of the global Libor scandal, following Libor-linked resignations of top executives at Barclays PLC and Royal Bank of Scotland Group PLC. He will be succeeded temporarily by another Rabobank executive, Rinus Minderhoud.

U.S. and British authorities in the settlement documents painted a picture of widespread misconduct inside Rabobank, with more than two dozen traders, rate submitters and at least one senior manager joining forces allegedly to manipulate a variety of benchmark interest rates. The scheme stretched from 2005 through 2011 and involved employees in Utrecht, Tokyo, London and New York, authorities said.

In a July 2006 electronic chat, an unidentified Rabobank trader was informed about the bank's plans to set Libor "obscenely high" that day, according to an exchange cited by the Justice Department. The trader responded, "oh dear…my poor customers….hehehe!!"

The bank missed warnings from regulators and its own employees about the misconduct, according to the U.K.'s Financial Conduct Authority. It wasn't until the second half of 2012, more than four years after global
investigations got under way, that Rabobank fully stopped the Libor problems, regulators said.

"It’s shameful what has happened," Sipko Schat, a member of Rabobank's executive board, said in an interview Tuesday. "It will take quite some time to restore confidence."

Mr. Robson, a 44-year-old Briton who worked for Rabobank from 1990 through 2008, has been in regulators’ cross hairs since at least last year, according to people familiar with the case. U.S. and British authorities believe Mr. Robson conspired with former brokers and traders at other banks to sway Libor, these people say.

As recently as last week, the Justice Department was poised to charge him criminally, these people say. In Washington, Mr. Robson’s lawyers were locked in negotiations during the past week with senior Justice Department officials, discussing his potential cooperation in exchange for avoiding criminal charges, they say. U.S. prosecutors previously have filed criminal charges against five individuals. It remains unclear whether Mr. Robson will formally cooperate or be charged.

In London, where Mr. Robson lives, British prosecutors haven’t shown as much interest in garnering his help—or that of other former bank traders and brokers, according to people involved in the case.

The apparent reason: The SFO had secured the cooperation of former UBS and Citigroup Inc. trader Tom Hayes. Over several months, Mr. Hayes attended regular hourslong meetings with SFO investigators, helping them understand the roles allegedly played by various institutions and individuals, according to people familiar with his case. The SFO believed that Mr. Hayes, criminally charged by the U.S. last December and the U.K. in June, planned to testify against his alleged co-conspirators.

"I think they thought they just didn't need" cooperation from other individuals, said a lawyer representing one of Mr. Hayes’s alleged co-conspirators.

That plan unraveled earlier this month, when Mr. Hayes’s lawyers informed the SFO that he planned to plead not guilty and was ceasing his cooperation. Mr. Hayes said in a January text message to The Wall Street Journal that “this goes much much higher than me.”

—Maarten van Tartwijk and Devlin Barrett contributed to this article.

The Libor Investigation

For ongoing coverage, go to wsj.com/libor.

U.K. Scrambles to Preserve Key Libor Case (Oct. 18, 2013)
ICAP Fined $87 Million in Libor Probe (Sept. 25, 2013)
Probe Spotlight Shines on Higher-Ups (Aug. 28, 2013)
NYSE Euronext to Take Over Libor (July 9, 2013)
Clubby London Trading Scene Fostered Rate-Fixing Scandal (May 2, 2013)
Rate-Rig Spotlight Falls on 'Rain Man' (Feb. 8, 2013)
Banking Industry Squirms Over European Rate Probe (Dec. 9, 2012)
Before Scandal, Clash Over Control of Libor (Sept. 11, 2012)
Missteps Doomed Barclays's Leaders (July 15, 2012)

From the Archives

The Wall Street Journal's investigation into Libor manipulation began in 2008:

Bankers Cast Doubt On Key Rate Amid Crisis (April 16, 2008)
Study Casts Doubt on Key Rate -- WSJ Analysis Suggests Banks May Have Reported Flawed Interest Data for Libor (May 29, 2008)
Banks Probed in Libor Manipulation Case (March 16, 2011)
U.S. Asks if Banks Colluded on Libor (April 14, 2011)

Write to David Enrich at david.enrich@wsj.com and Jenny Strasburg at jenny.strasburg@wsj.com