

## **JPMorgan the big winner in Oz's landmark bank bust?**

by Lachlan Colquhoun via stacey - Asia Times *Friday, Jul 6 2018, 11:53pm*

international / prose / post

Markets are abuzz over how US bank escaped the criminal cartel charges ANZ, Citigroup and Deutsche Bank all now face for an allegedly manipulated \$1.9 billion rights issue.

US investment bank JPMorgan Chase and Co could reportedly turn witness against its big banking peers in a landmark Australian case in which three other major financial institutions face criminal cartel charges.

Competition watchdog the Australian Competition and Consumer Commission (ACCC) has laid formal criminal charges against three top multinational banks, namely ANZ, Citigroup Inc and Deutsche Bank AG over a A\$2.5 billion (US\$1.9 billion) rights issue sold to institutional investors in August 2015.

Six senior banking executives, including ANZ treasurer Rick Moscati, former Citigroup chairman Stephen Roberts and current chief executive John McLean have also been charged with offenses which could incur a maximum jail term of ten years. The banks face fines of up to A\$10 million (US\$7.6 million) for each offense.

The charges represent the latest blow to Australia's scandal-plagued financial industry and threaten to further undermine public confidence in big banks in Australia.

Deutsche Bank and Citigroup have denied any wrongdoing, with the latter bank claiming that regulators were effectively criminalizing practices that have long been the norm in the financial industry.

JPMorgan, which was also one of the underwriters for the ANZ rights issue along with Citigroup and Deutsche Bank, has conspicuously not been charged amid reports it has been granted immunity.

US investment bank JPMorgan Chase and Co could reportedly turn witness against its big banking peers in a landmark Australian case in which three other major financial institutions face criminal cartel charges.

Competition watchdog the Australian Competition and Consumer Commission (ACCC) has laid formal criminal charges against three top multinational banks, namely ANZ, Citigroup Inc and Deutsche Bank AG over a A\$2.5 billion (US\$1.9 billion) rights issue sold to institutional investors in August 2015.

Six senior banking executives, including ANZ treasurer Rick Moscati, former Citigroup chairman Stephen Roberts and current chief executive John McLean have also been charged with offenses which could incur a maximum jail term of ten years. The banks face fines of up to A\$10 million (US\$7.6 million) for each offense.

The charges represent the latest blow to Australia's scandal-plagued financial industry and threaten

to further undermine public confidence in big banks in Australia.

Deutsche Bank and Citigroup have denied any wrongdoing, with the latter bank claiming that regulators were effectively criminalizing practices that have long been the norm in the financial industry.

JPMorgan, which was also one of the underwriters for the ANZ rights issue along with Citigroup and Deutsche Bank, has conspicuously not been charged amid reports it has been granted immunity.

JPMorgan has so far declined to comment on the case. That's fueled widespread market speculation on what role the bank may have played in the landmark case and what it may receive in return for potentially providing testimonial evidence.

One leading business observer articulated one market view when he wrote that JPMorgan's immunity "raises the immensely tantalizing suspicion that it has been spilling the beans, but we don't know."

ANZ, Citigroup and Deutsche Bank have all denied the allegations, which relate to the A\$789 million (US\$604 million) worth of ANZ shares not sold in the A\$2.5 billion (US\$1.9 billion) rights issue.

The filing of criminal charges comes in the midst of a Royal Commission into the banks which has produced a daily stream of sensational headlines about bad banking behavior, although so far in the retail and small business markets rather than among top-flight investment bankers.

Regulators are on a competition-promoting warpath, with ACCC chairman Rod Sims saying in a speech in February that his commission had in hand five cartel-related referrals from prosecutors and that various investigations were at an advanced stage. He did indicate at the time, however, that investment banks were being probed.

Earlier this week, the Commonwealth Bank of Australia (CBA) agreed to pay a A\$700 million (US\$535 million) fine - a record for corporate Australia - for breaches of anti-money laundering and counterterrorism laws.

Financial intelligence agency AUSTRAC accused CBA, Australia's largest lender, of failing to report more than 50,000 suspicious deposits and transfers which allegedly resulted in millions of dollars flowing through to criminals, in particular drug importers.

Another top ranked bank, Westpac, was last week found to have engaged in "unconscionable conduct" by a Federal Court for attempting to manipulate the local bank bill swap rate (BBSW), although the court found it had ultimately failed to alter the interest rate.

The cartel case announced this week has stunned the local market, which is used to regulators issuing warnings and quietly negotiating with banks before taking legal action, particularly the filing of criminal charges.

Apart from a cartel prosecution in 2017 of Japanese vehicle shippers, Australia had not seen a cartel prosecution since 1908 involving the coal industry. Cartel conduct was only criminalized in 2009, news reports said.

The banks plan to fight back against the reputation-damaging charges. Citigroup's statement said the charges were in relation to a "highly technical area" which should have been clarified by "law or

regulation or consultation.” That may or may not hold up in court.

ACCC chairman Rod Sims said the regulator had been investigating the case for two years, allegedly over “an arrangement or understanding” on how the overhanging A\$789 million (US\$604 million) in shares were sold by the underwriters after the capital raising exercise.

The matter is listed for hearing in Sydney in early July, but is likely to take months, if not years, before the market learns if JPMorgan will take the stand and provide evidence against its big bank peers.

Copyright applies.

<http://www.atimes.com/article/jpmorgan-the-big-winner-in-ozs-landmark-bank-bust/>

---

Inverse Times Open Publishing. <http://inversetimes.lingama.net/news/story-113.html>