

## JUSTICE NEWS

### Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Thursday, January 18, 2018

## **HSBC Holdings Plc Agrees to Pay More Than \$100 Million to Resolve Fraud Charges**

United Kingdom-based global financial services company HSBC Holdings plc (HSBC) entered into a deferred prosecution agreement (DPA) and agreed to pay a \$63.1 million criminal penalty and \$38.4 million in disgorgement and restitution to resolve charges that it engaged in a scheme to defraud two bank clients through a multi-million dollar scheme commonly referred to as “front-running.” The DPA, which was filed in connection with a two-count criminal information charging wire fraud in the United States District Court for the Eastern District of New York, is pending review by the Court.

Acting Assistant Attorney General John P. Cronan of the Justice Department’s Criminal Division, Inspector General Jay N. Lerner of the Federal Deposit Insurance Corporation (FDIC) and Special Agent in Charge Timothy R. Slater of the FBI Washington Field Office’s Criminal Division made the announcement.

“HSBC’s admissions in connection with this resolution confirm that the company misused confidential client information for its own profit on more than one occasion,” said Acting Assistant Attorney General Cronan. “This sort of misconduct not only harmed their clients, costing the victims money, but it also ran a serious risk of undermining the public’s confidence in our financial markets. The Department of Justice takes these types of cases seriously and will hold to account financial institutions and individuals that circumvent the rule of law in favor of illicit profits.”

“Today’s agreement represents that the financial services company, HSBC Holdings, is responsible for the conduct of its employees, and that it must not be permitted to benefit from the fraud committed by bank personnel,” said Inspector General Lerner. “Such financial crimes violated the trusted relationships between HSBC and its clients, and therefore, we are pleased to join our law enforcement partners in combating this misconduct.”

“HSBC defrauded two bank clients in a front-running scheme that enabled them to acquire millions of dollars to benefit their institution and harm their clients,” said Special Agent in Charge Slater. “The FBI remains dedicated to ensuring the integrity is upheld in the financial services industry, and prosecuting those who engage in illegal business practices.”

According to HSBC’s admissions, on two separate occasions in 2010 and 2011, traders on its foreign exchange desk misused confidential information provided to them by clients that hired HSBC to execute multi-billion dollar foreign exchange transactions involving the British Pound Sterling. After executing confidentiality agreements with its clients that required the bank to keep the details of their planned transactions confidential, traders on HSBC’s foreign exchange desk transacted in the Pound Sterling for the traders and HSBC’s own benefit in their HSBC “proprietary” accounts. HSBC traders then caused the large transactions to be executed in a manner designed to drive the price of the Pound Sterling in a direction that benefited HSBC, and harmed their clients. HSBC also made misrepresentations to one of the clients, Cairn Energy, to conceal the self-serving nature of its actions. In total, HSBC admitted to making profits of approximately \$38.4 million on the first transaction in March 2010, and approximately \$8 million on the Cairn Energy transaction in December 2011.

Pursuant to its agreement with the Justice Department, HSBC agreed to pay a criminal penalty of \$63.1 million. HSBC also agreed to continue to cooperate with the department and with foreign authorities in any ongoing investigations and

prosecutions relating to the conduct (including of individuals), to enhance its compliance program, and to pay \$38.4 million in disgorgement and restitution for its conduct related to one of the two victim companies. HSBC previously settled with the other victim company, Cairn Energy, for approximately \$8 million, which the Department credited as full restitution for Cairn.

The Department reached this resolution based on a number of factors, including the approximately \$46.4 million that HSBC gained from the offense; the bank's remedial measures to date, including dedicating significant resources to improving its systems and controls and terminating the employment of employees involved in wrongdoing; and the bank's commitment to continuing to enhance its compliance program and internal controls. HSBC did not receive credit for voluntarily disclosing the misconduct. HSBC received substantial cooperation credit because, although as detailed in the DPA, the bank's initial cooperation with the government's investigation was deficient in certain respects, after being notified of the Department's concerns, HSBC changed course and its cooperation improved substantially.

In connection with the government's investigation, Mark Johnson was charged on Aug. 16, 2016 with one count of conspiracy to commit wire fraud as well as 10 counts of wire fraud stemming from the Cairn Energy transaction. Johnson, the former head of foreign exchange cash trading at HSBC, was found guilty on Oct. 23, 2017 of one count of conspiracy and eight counts of wire fraud after a four-week jury trial in Brooklyn, New York. His sentencing is scheduled for Feb. 15.

The investigation was conducted by the FDIC's Office of Inspector General and the FBI's Washington Field Office. Assistant Chiefs Carol Sipperly and Brian Young and Trial Attorney Blake Goebel of the Criminal Division's Fraud Section are prosecuting the case. The U.S. Attorney's Office for the Eastern District of New York and the Criminal Division's Office of International Affairs provided significant support.

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**Attachment(s):**

[Download HSBC DPA](#)

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**Topic(s):**

Financial Fraud

**Component(s):**

[Criminal Division](#)

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