

Markets Bank rejects ASIC claims

# ANZ sued for rigging interest rates

Clancy Yeates

ANZ Bank is being accused of trying to manipulate one of the most important interest rates in the financial system, in an explosive lawsuit brought by the corporate regulator.

The Australian Securities and Investments Commission on Friday launched Federal Court action against ANZ, the culmination of a long-running investigation into behaviour by banks in the setting of the bank bill swap rate, a critical benchmark interest rate.

Citing internal messages between bank staff and taped phone conversations, ASIC's draft statement of claim alleges ANZ engaged in market manipulation, un-

conscionable conduct and breached its financial services licence.

ANZ rejected the allegations and said it would defend them "vigorously." It said ASIC's claims were based on a misunderstanding of the relevant market, and limited case law in the area.

ASIC claims that on 44 days between March 2010 and May 2012, ANZ traded in a way that was intended to create an "artificial price" in the bank bill swap rate.

BBSW is a key rate at which banks lend to each other over short periods, and it provides a benchmark for the setting a range of business loan interest rates.

ASIC has previously described this rate as of "potential systemic importance".

ASIC claims ANZ's behaviour is likely to have caused "financial detriment" to customers with the opposite exposure to the BBSW, or products that were referenced to BBSW, to ANZ.

The watchdog also claims ANZ's conduct was likely to have damaged the reputation of BBSW as a reliable benchmark rate, and therefore the reputation and operation of the country's financial markets.

During the period in question, BBSW was set in a five minute window before 10am, when big banks submitted their assessment of the market for prime bank bills, instruments that allow banks to borrow over a short term.

ASIC's statement of claim al-

leges ANZ was aware of whether the bank had a "long" or "short" exposure to the BBSW, and it tried to trade in a way that would mean the level of BBSW was favourable to the bank.

The statement of claim sets out several instances where it says traders engaged in transactions designed to influence the rate.

For instance, it cites a June 10, 2010, conversation between Mark Budrewicz, at the time a trainee dealer, with then head of balance sheet trading Jason Pritchard, who no longer works at the bank, and Matthew Ritter, head of Australian liquidity portfolio.

It says Mr Budrewicz told the other bank staff of a plan to take delivery of bank bill futures in or-

der to generate a stockpile of bills for the BBSW rate set window.

"In preparation for tomorrow, what I'm thinking about doing is taking delivery of 500 June bills, right? And they will settle tomorrow ... And we'll be able to sell them tomorrow at rate set, right, in order to keep - at least defend the rate set, if not push it higher," Mr Budrewicz said, according to the ASIC statement of claim.

ANZ chief risk officer Nigel Williams said in a statement that ANZ had spent millions of dollars co-operating with ASIC's investigation, and it would now defend the action.

ANZ shares initially fell on news of the action, before ending the day up 0.9 per cent, at \$25.02.

WHO PAYS FOR ALL THIS? THE PUBLIC!