[Bond Case Briefs]

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[Deutsche Bank Emerges as Whistle-Blower in Bond-Rig Probe.]

- **Cooperation with U.S. criminal probe noted in civil settlement**
- **German lender agrees to pay $15 million to resolve civil suit**

Deutsche Bank AG is cooperating with the Justice Department's antitrust investigation into whether several of the largest global banks conspired to rig trading in unsecured bonds issued by Fannie Mae and Freddie Mac.

The bank earned leniency by providing information about other banks accused of rigging trading in the bonds. The cooperation deal emerged Thursday when Pennsylvania's Treasurer, Joe Torsella, announced that Deutsche Bank had agreed to pay $15 million to resolve allegations in a civil lawsuit filed in federal court in Manhattan, that accuses traders at about a dozen large banks of rigging the bond prices.

According to the deal, the German lender came forward in May to assist Pennsylvania and other plaintiffs in the civil lawsuit. Under federal law, companies seeking criminal leniency in antitrust matters, which includes immunity from prosecution, can also limit their financial exposure by assisting price-fixing victims seeking damages.

Deutsche Bank's settlement, which requires the bank to install an antitrust compliance program, shows that the bank has been providing the Justice Department with electronic chats and other evidence that could be used to prosecute individuals and institutions. It also suggests that the bank, which is the middle of multiple criminal investigations by the Justice Department, is looking to win some good will with investigators.

In late May, lawyers accusing the banks of manipulating the bond prices said in a court filing that they were working with a cooperator who was providing "smoking gun" evidence including electronic chats. Though they didn't name Deutsche Bank at the time, examples of chats in the filing were between traders at Deutsche Bank and others at Goldman Sachs Group Inc., Morgan Stanley and BNP Paribas SA.

The lawsuit accuses financial institutions of ripping off pension funds and others from 2009 to 2016.

Torsella said the settlement on Thursday was "an important first step, but just a first step, toward greater accountability on Wall Street." He said government-sponsored-entity (GSE) bonds like those of Fannie Mae and Freddie Mac "are foundational to public investment portfolios, particularly for state governments, school districts, county governments and local municipalities."

"We're pleased to have resolved the matter," said Troy Gravitt, a Deutsche Bank spokesman.

The Justice Department opened a criminal investigation into whether some traders manipulated prices in the market for unsecured bonds issued by Fannie and Freddie, the government-backed companies whose financing underlies most U.S. home purchases, Bloomberg News reported last year. No individuals or banks have been charged.

The market for their agency debt — which finances the companies' operations but doesn't directly fund mortgages — runs into the hundreds of billions of dollars.

The lawsuit in Manhattan alleges that the chats about the pricing of the bonds in the secondary market also directly implicate Bank of America Corp. and its Merrill Lynch subsidiary, Barclays Plc, Cantor Fitzgerald LP, Citigroup Inc., Credit Suisse Group AG, First Tennessee Bank NA, HSBC Holdings Plc, JPMorgan Chase & Co., Nomura Holdings Inc., TD Securities Inc. and UBS Group AG.

In addition to Fannie Mae and Freddie Mac, these GSE bonds finance the Federal Farm Credit Banks and the Federal Home Loan Banks.

Deutsche Bank approached the lead counsel for the plaintiffs on May 8 and said it was willing to provide them with cooperation materials pursuant to a federal law that allows companies to seek criminal leniency in antitrust matters, the settlement agreement said. The law also limits the financial exposure of companies that assist price-fixing victims seeking compensation.

Judge Jed Rakoff in federal court in Manhattan ruled this month that the case against BNP Paribas, Deutsche Bank, Goldman Sachs, Merrill Lynch and Morgan Stanley could move forward. He dismissed the other financial institutions from the case but allowed the plaintiffs to seek to bring additional evidence forward that could bring those institutions back in to the case, which they did in a filing on Tuesday.

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