Serious Fraud Office UK

UK's SFO closes Euribor probe after extradition requests refused

Anti-fraud agency withdraws arrest warrants for 4 ex-traders and concludes 5-year investigation

The agency began investigating alleged Euribor rigging in 2015 and secured 4 convictions with 3 acquittals © Charlie Bibby/FT

Kate Beioley JUNE 11 2020

The UK's Serious Fraud Office has concluded its five-year investigation into the rigging of a key interest rate benchmark after withdrawing arrest warrants for four former traders it had wanted to prosecute.

The anti-graft agency said it made its decision after French and German courts refused to extradite Joerg Vogt, Ardalan Gharagozlou, Kai-Uwe Kappauf and Stephane Esper. The first three worked for Deutsche Bank at the time of the alleged manipulation of the Euribor rate, the European version of Libor, before the 2008 financial crisis while Mr Esper worked for Société Générale.

All four had refused to attend court hearings in Britain. They have all left the banks except for Mr Kappauf, who still works for Deutsche Bank.

The move, announced quietly on Wednesday, comes four years after Frankfurt prosecutors dropped a case into alleged rigging of Euribor after deciding it did not constitute a crime under German law.

The SFO's decision draws a line under all active inquiries into the case, which covered alleged rigging of Euribor by bankers in order to benefit their trading positions.

Euribor is the average interest rate at which European banks are prepared to lend to one another and the rate is set after submissions by 48 "panel banks".

The agency began investigating alleged Euribor rigging in 2015, and secured four convictions but also saw three acquittals from its prosecutions. The case proved messy, with one defendant absconding before his trial began and European courts refusing to surrender suspects.

Christian Bittar was sentenced to more than five years in jail in 2018 after he admitted manipulating the Euribor rate © Jason Alden/Bloomberg

Christian Bittar, a former Deutsche Bank trader and one of the most successful interest rate traders in the world, was one of the four traders convicted in 2018 and 2019. He admitted manipulating the Euribor rate and was sentenced to five years and four months in prison.

Former Barclays trader Philippe Moryoussef, a French national, refused to attend his London trial in 2018 and was convicted in absentia. He was sentenced to an eight-year jail term and the SFO continues to seek his presence in the UK to serve that sentence.

Former Barclays trader Carlo Palombo was found guilty last year © Simon Dawson/Bloomberg

Carlo Palombo, a British-Italian dual national and ex-Barclays trader, was found guilty by a jury in March 2019 as well as fellow Barclays trader Colin Bermingham, who worked as a senior rate submitter.

The Euribor investigation was initiated after the SFO's probe into the manipulation of the key Libor benchmark during the financial crisis. Both concerned wrongdoing by bankers that the anti-graft agency said had undermined the integrity of the financial system.

Aziz Rahman, senior partner at law firm Rahman Ravelli, said the investigation had concluded with a "mixed bag of results", including the acquittal of Andreas Hauschild, a former Deutsche Bank employee who the SFO said during his trial had "ruled the roost" during the period of alleged manipulation.

Mr Hauschild was accused of conspiring with the four convicted traders but was cleared by a jury last year, after being extradited from Italy to stand trial. Former Deutsche Bank employee Achim Kraemer was also found not guilty in 2018, and ex-Barclays banker Sisse Bohart was acquitted in 2019.

On Wednesday, the SFO confirmed it had concluded and closed its investigations into Mr Vogt, Mr Gharagozlou, Mr Kappauf and Mr Esper.