

MEDIA RELEASE

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Competition Commission probes 11 traders of foreign currencies for price fixing

The Competition Commissioner has initiated a complaint against BNP Paribas, BNP Paribas South Africa, Citigroup Inc., Citigroup Global Markets (Pty) Ltd, Barclays Bank Plc, Barclays Africa Group Ltd, JP Morgan Chase & Co, JP Morgan South Africa, Investec Ltd, Standard New York Securities Inc. and Standard Chartered Bank, (Respondents).

The Respondents who are traders in foreign currencies have allegedly been directly or indirectly fixing prices in relation to bids, offers and bid-offer spreads in respect of spot, futures and forward currency trading in contravention of section 4(1)(b)(i) of the Competition Act no. 89 of 1998, as amended.

The foreign currency exchange market consists of buyers, sellers and traders who interact by exchanging one currency for another. A spot transaction is where a trade is done for settlement two business days from the transaction date, or standard settlement date. A forwards transaction relates to where the exchange rate is agreed ahead of time and the transaction is settled at a future date. A futures transaction is similar to a forward transaction but takes place on a registered exchange that gives a participant the right to buy or sell an underlying currency at a fixed exchange rate at a specified date in the future.

The conduct which is the subject of the investigation was allegedly carried out through exchange of competitively sensitive information on the electronic messaging platforms used for currency trading, which enabled the Respondents to coordinate their trading activities when quoting customers who buy or sell currencies. This coordination has the effect of eliminating competition among the Respondents, as it enabled them to charge an agreed price for a specific amount of currency.

This anti-competitive behaviour is not unique to transactions involving the South African rand. The Commission's investigation joins similar investigations launched by other competition authorities in other jurisdictions such as the United States of America, United Kingdom and European Commission. The conduct has allegedly occurred in jurisdictions outside of South Africa, though the focus of the Commission's investigation is on trade in currency pairs involving the South African rand.

"Conduct of this nature distorts the price of foreign exchange and artificially inflates the cost for firms or individuals in South Africa acquiring foreign exchange", says Commissioner, Tembinkosi Bonakele.

Ends

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