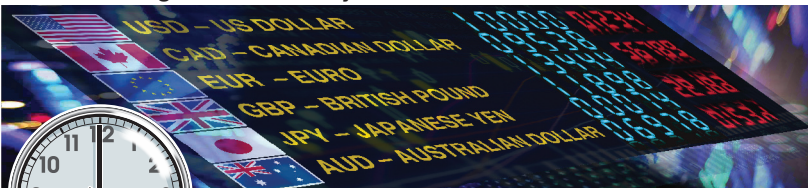


Forex – the world's largest financial market

Global banks in London, New York and Tokyo are being investigated over possible manipulation and collusion in the foreign exchange markets.

The investigation is currently centred on the so-called "London Fix"



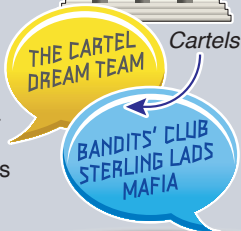
London Fix: Daily benchmark rate at a fixed time, or spot, for exchange of currencies. Benchmark is **median value*** of trades that occur in 60-second window between **15:59:30GMT and 16:00:30GMT**

Forex traders: Fewer than 100 individual traders at global investment banks control spot market, which trades \$2,000 billion a day

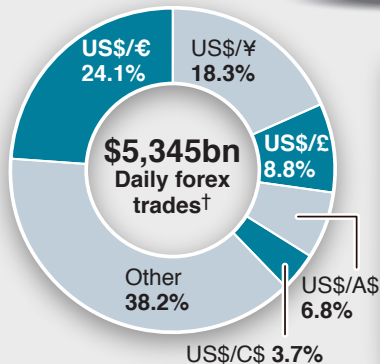


Clients: Fix is used by large investors such as pension funds because it provides day-to-day snapshot of value of their holdings

Allegations: Cartel of traders, with clients who want to buy euros at fix, collude in chat rooms to "**bang the close**". Cartel buys euros early – say €1 billion at \$1.3500 – to sell to clients when benchmark rate is set at fix



Banging the close: Cartel enters fake orders during 60-second window to create false appearance of activity in euro. Thinking there's a big buyer, other traders order euros. Price rises to, say, \$1.3520 by fix. **Cartel makes \$0.0020 per euro – \$2 million profit**



Banks under investigation Forex market share (2013)

Deutsche Bank	15.2%
Citigroup	14.9%
Barclays	10.2%
UBS	10.1%
HSBC	6.9%
JP Morgan	6.1%
RBS	5.6%
Morgan Stanley	3.2%
Bank of America	3.1%

*Median is middle value: 50% of trades are above it, and 50% below it.

†Daily average April 2013

Sources: Bank for International Settlements, Bloomberg, Financial Times

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