Case No.  

CLASS ACTION COMPLAINT  

JURY TRIAL DEMANDED  

ELDORADO TRADING GROUP, LLC  
on behalf of itself and all others similarly situated,  

Plaintiff,  

v.  

BANK OF AMERICA CORPORATION,  
CITIBANK NA, J.P. MORGAN CHASE & CO., and UBS AG,  

Defendants.  

Plaintiff Eldorado Trading Group, LLC (“Plaintiff”), by its undersigned counsel, brings this action against Defendants Bank of America Corporation, Citibank NA, J.P. Morgan Chase & Co., and UBS AG (“Defendants”), pursuant to the Commodity Exchange Act, 7 U.S.C. §§ 1, et seq. (the “CEA”), on behalf of itself and all others who, from at least August 1, 2007 through at least December 31, 2009 (the “Class Period”), owned (a) futures or options contracts based on Eurodollar deposits or (b) futures or options contracts on interest rate swaps tied to the U.S. dollar London Interbank Offered Rate (“Libor”), that were traded on the Chicago Mercantile Exchange or the Chicago Board of Trade, and suffered damages due to Defendants’ downward manipulation of the U.S. dollar Libor. Plaintiff's allegations are based upon personal knowledge with respect to his conduct and upon information and belief as to other allegations based on facts obtained during the course of his attorneys’ investigation.  

INTRODUCTION  

1. This case involves the downward manipulation of the London Interbank Offered Rate (“Libor”) by the Defendants who, among others, self-report the interest rates that are used
to calculate Libor. Defendants are major financial institutions with substantial economic
exposure to interest rates, including exposure to Libor. Defendants, therefore, both affect the
rate at which Libor is set and reap substantial profits—or face large losses—depending on where
Libor is set and how it changes.

2. Libor is a benchmark (or reference) interest rate that is determined on a daily
basis by the British Bankers Association ("BBA"). It is based directly on information reported
by Defendants and other major banks. By being strategic about the information they report,
Defendants can manipulate the resulting Libor rate. Libor is used with respect to the pricing of
numerous financial products and instruments, including interest rate swaps, futures, options, and
other derivative products, with outstanding values of hundreds of trillions of dollars. The BBA
calculates Libor in multiple different maturities, ranging from overnight to one year, and across
multiple currencies. This case concerns the United States dollar-based Libor (the "USD Libor").

3. Defendants manipulated Libor in order to profit from a suppressed Libor rate.
Defendants purchase and trade substantial amounts of swaps, loans, interest rate derivatives, and
other financial instruments, the values of which are determined by Libor. During the Class
Period, Defendants’ investment in these types of products was such that as Libor decreased,
these instruments generated significant net income for Defendants. Defendants therefore had a
substantial incentive to manipulate, and in fact did manipulate, Libor downward, in order to
increase the income from its interest rate derivatives and similar instruments. This manipulation
resulted in billions of additional dollars in revenue for Defendants, and billions of dollars in
losses for the members of the Class.

4. Defendants’ manipulation of Libor is evident in multiple ways. For example,
during the Class Period, Libor rates substantially departed from a long-standing and predictable
relationship with market-priced rates and instruments. Unlike the Libor rate, market-priced instruments are tied to actual trading activity, and are therefore not susceptible to manipulation in the way that Libor rates are. Prior to the Class Period, Libor had long-standing relationships with market-priced financial instruments such as Eurodollar deposits ("Eurodollar Bid Rate") and credit default swaps ("CDS"). These relationships show that historically, Libor was a meaningful index rate that accurately reflected market reality. During the Class Period, however, Libor broke from its historic relationships with market-priced rates and instruments. This departure demonstrates that Defendants were manipulating Libor during the Class Period.

5. Patterns in how Defendants reported interest rate information to BBA also demonstrate Defendants’ manipulation of Libor. As described in detail below, during the Class Period, BBA collected interest rate quotes from 16 banks in order to calculate the USD Libor. It discarded the four highest and four lowest reported quotes, and then averaged the remaining eight quotes to calculate Libor. Accordingly, reporting a quote well below the other banks would not significantly impact Libor, since such an outlier rate would be discarded and not included in the average. In order to most effectively manipulate Libor down, a bank must attempt to report a quote at or just above the fourth lowest rate, which would result in submitting the lowest of the eight quotes that are averaged to calculate Libor. During the Class Period, Defendants consistently “bunched” their reported quotes at or just above the fourth lowest quote. Absent manipulation, Defendants’ self-reported rates should have been more evenly distributed and not clumped around this lower bound.

6. Strategists, including those employed by one Defendant bank, estimated that Libor rates during the Class Period were substantially suppressed. Defendant Citibank’s Scott
Peng stated that Libor was suppressed by 30 basis points. Credit Suisse’s William Porter estimated an even greater suppression of 40 basis points. And Barclays Capital’s Timothy Bond, when describing the repercussions when Barclays Capital decided for a limited time “to quote the right rates,” admitted that “[t]he rates the banks were posting to the BBA became a little bit divorced from reality.” Other analysts agreed with these assessments. An October 28, 2008 “Client Alert” from the law firm Milbank, Tweed, Hadley & McCloy UP noted that “[l]enders in the bank loan market have expressed increasing frustration over the apparent fact that the publicly quoted LIBOR is lower than the actual rates they pay for Eurodollar deposits.”

7. Defendants’ unlawful and intentional misreporting, suppression, and manipulation of Libor quotes during the Class Period were in violation of Sections 9(a)(2) and 22(a) of the CEA, 7 U.S.C. §§ 13(a)(2), 25(a). Defendants’ suppression of Libor caused Plaintiff and other members of the proposed Class to pay more for or receive less from their futures and options contracts that were based on Eurodollar deposits or interest rate swaps, and Plaintiff and the Class Members were directly injured by this misconduct.

JURISDICTION AND VENUE

8. This action arises under Section 22 of the CEA, 7 U.S.C. § 25.

9. This Court has jurisdiction over this action pursuant to Section 22 of the CEA, 7 U.S.C. § 25, and 28 U.S.C. §§ 1331, 1337.

10. Venue is proper in the District of New Jersey, pursuant to Section 22 of the CEA, 7 U.S.C. § 25(c), and 28 U.S.C. § 1391(b), (c) and (d). Each of the Defendants transacted business in this District and a substantial part of the events or omissions giving rise to the claims here occurred in this District. Defendants’ unlawful conduct manipulated the prices of Libor-

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1 100 basis points equal 1 percent.
based derivative products traded in this District.

PARTIES

11. Plaintiff Eldorado Trading Group, LLC ("Plaintiff") is a proprietary trading firm based in Chicago, Illinois. Plaintiff owned futures and/or options contracts based on Eurodollar deposits that were traded on the Chicago Mercantile Exchange during the Class Period, and suffered damages as a result of Defendants' actions in manipulating Libor.

12. Defendant Bank of America Corporation ("Bank of America") is a Delaware corporation that is headquartered in Charlotte, North Carolina and transacts business in the District of New Jersey. During the Class Period, Bank of America was a member of the British Bankers' Association's USD Libor panel.

13. Defendant Citibank NA ("Citibank") is a wholly owned subsidiary of the United States financial services corporation Citigroup, Inc., which is headquartered in New York, New York. Citibank transacts business in the District of New Jersey. During the Class Period, Citibank was a member of the British Bankers' Association's USD Libor panel.

14. Defendant J.P. Morgan Chase & Co. ("JP Morgan") is a Delaware financial holding company that is headquartered in New York, New York and transacts business in the District of New Jersey. During the Class Period, JP Morgan was a member of the British Bankers' Association's USD Libor panel.

15. Defendant UBS AG ("UBS") is a Switzerland company based in Basel and Zurich, Switzerland that transacts business in the District of New Jersey. During the Class Period, UBS was a member of the British Bankers' Association's USD Libor panel.
FACTUAL ALLEGATIONS

Libor Background

16. Libor is an average of the rates at which certain banks report that they could borrow money unsecured from other banks. Libor is calculated and published each business day by Thomson Reuters at the direction of the British Bankers Association ("BBA"), a trade association for the banking and financial services sector in the United Kingdom. Thomson Reuters calculates Libor for a number of different currencies, and for various maturities in those currencies from overnight to one year. The most commonly used and most important USD Libor rate is 3-month USD Libor.

17. Libor is calculated based on interest rate quotes submitted by a panel of banks active in the currency at issue. For the USD Libor during the Class Period, sixteen banks formed the panel and report the following information for 14 different maturities: “At what rate could you borrow funds, were you to do so by asking for and then accepting inter-bank offers in a reasonable market size just prior to 11 am [London time]?” Each Defendant was a member of the USD Libor panel during the Class Period. In February 2011, BBA increased the number of panel banks for the USD Libor from 16 to 20.

18. Thomson Reuters receives the rate quotes for each maturity from each of the USD Libor panel banks each morning, shortly after 11:00 am local time in London. To calculate Libor at each maturity, Thomson Reuters utilizes a trimmed arithmetic mean. It first excludes the four highest quotes and the four lowest quotes (the top and bottom quartiles), and then averages the remaining eight quotes to determine the Libor rate for that maturity for that day. This process is repeated with each of the maturities. The following figure is an example of how the USD Libor is calculated for a single maturity, as explained on BBA’s website.
Figure 1. Example of how the USD Libor was calculated for a single maturity during the Class Period, as explained on BBA’s website. See http://www.bbialibor.com/bbialibor-explained/the-basics.

19. As discussed above, Libor rates are the result of interest rate quotes that are self-reported by Defendants and other banks. Libor rates are not calculated using actual transactional data or other data generated by an economic market. The accuracy and legitimacy of the Libor rate is thus premised on Defendants and other panel banks accurately reporting their borrowing costs to BBA.

20. Libor rates are the rates at which certain banks could obtain unsecured loans from other banks. Accordingly, Libor rates should be greater than rates for secured loans, since secured loans offer lenders greater protection and lower risk (warranting a lower rate of return) than unsecured loans.

21. Libor is a primary benchmark rate for short-term interest rates. Many derivative products are priced based on Libor. Accordingly, a reporting bank that wants to manipulate the price of these interest rates or these derivative products need only manipulate Libor.

22. For example, Eurodollar contracts based on Libor, such as futures and options contracts based on Eurodollar deposits, are some of the most heavily traded interest rate products in the world and are traded on exchanges like the Chicago Mercantile Exchange (“CME”) and the Chicago Board of Trade (“CBOT”). The final settlement price of a Eurodollar contract is
$100 minus the Libor rate (e.g., if the Libor rate on the relevant date is 3.00%, the value of that Eurodollar contract is $97). Suppression of Libor thus causes higher prices for Eurodollar contracts. This linear relationship shows the direct relationship between Libor and the value of numerous derivative instruments based on Libor.

23. Interest rate swaps ("swaps") are another type of financial instrument based on Libor. In a swap, one party pays a fixed rate on a notional amount of money, and the other party pays a floating rate, most commonly based on the 3-month USD Libor, on that same notional amount of money. Swaps allow entities to hedge interest rate exposure to better match their asset-liability mix. Swaps, as well as futures and options contracts based on swaps, also allow entities to make investments based on their view of the future direction of interest rates. For example, an entity that believes that interest rates will rise—based on the expectation that a developing financial crisis will make the financial markets less stable and more risky—may decide to pay fixed and receive floating so that if interest rates do rise, as expected by that entity, the floating rate received will rise while the fixed rate paid will not change.

24. Futures and options contracts based on interest rate swaps are traded on exchanges like the CME and the CBOT. Like the Eurodollar contracts described above, the floating interest rates in many swaps are explicitly tied to Libor, and holders of contracts based on swaps are thus impacted if Libor rates are manipulated. When Libor rates are suppressed, entities that are receiving Libor and paying a fixed rate receive less (or pay more) than they otherwise would absent the manipulation of Libor. This in turn impacts the holders of futures and options contracts based on those swaps.

Market-Based Interest Rates Show That Defendants’ Actual Borrowing Costs Were Substantially Higher than What They Reported to BBA to Calculate Libor

25. As a result of Defendants’ manipulation of Libor, traditional relationships
between Libor and true market-based interest rates—i.e., rates that are based on actual financial transactions and not just on self-reported figures susceptible to easy manipulation—broke down. These changes show that during the Class Period, the rates at which Defendants told BBA they could borrow money were substantially lower than the rates at which they were actually able to borrow money. This is demonstrated by two market-determined measures of Defendants’ borrowing costs: the Eurodollar Bid Rate and the spread on credit default swaps.

**Eurodollar Bid Rate**

26. Eurodollars are deposits of U.S. dollars in banks outside the United States. The Eurodollar Bid Rate is the market-determined rate at which banks bid to compete for these deposits; in other words, it is the actual interest rate that banks, competing with one another, offer to pay for Eurodollar deposits. The Eurodollar is the largest source of global finance, and Eurodollar deposits are the basis for the vast majority of international loans.

27. Since Libor’s inception in 1986, Libor has consistently been 6 to 12 basis points above the Eurodollar Bid Rate. The USD Libor panel banks, including Defendants, treated Libor, the London Interbank *Offered* Rate, as the ask rate corresponding to the listed bid rate for Eurodollars. This small difference is like a bid/ask spread (i.e., the difference between the price quoted for an immediate sale (ask) and an immediate purchase (bid)).

28. In mid 2007, this long-standing relationship between the Eurodollar Bid Rate and Libor broke down. In fact, it drastically inverted, and the Libor rate fell far below the Eurodollar Bid Rate. The following chart shows the difference between Libor and the Eurodollar Bid Rate from January 2006 through January 2010. A negative value indicates the Libor is lower than the Eurodollar Bid Rate.
29. Absent manipulation, it makes no economic sense for the Eurodollar Bid Rate—the rate banks actually pay for deposits—to be *higher* than the Libor rate—the rate at which banks would offer to loan money to another bank.

**Credit Default Swap Spreads**

30. A credit default swap ("CDS") is akin to insurance that protects a lender in the case of default by the borrower. The CDS purchaser pays a fee, or "spread," to the CDS seller, and in exchange, the CDS seller agrees to pay cash in the case of a default on the underlying loan. Anyone can purchase a CDS, even someone with no direct interest in the underlying loan. For example, an entity that purchases a CDS on a bundle of Citibank bonds would receive a payout if Citibank defaulted on those bonds. On the other side of the trade, an entity that sells a CDS on Citibank bonds has similar exposure to Citibank's credit risk as if the entity had purchased Citibank bonds or made a loan to Citibank.
31. The spread (i.e., the cost) on a CDS is determined by the perceived financial health of the borrower of the loan on which the CDS is premised. In other words, the CDS spread for a company is a measure of that company’s credit risk. As a company appears more risky or more likely to default on a loan, the spread for purchasing a CDS on that company increases. Because there is a robust market for trading CDSs, a company’s CDS spread is a market-determined measure of that company’s credit risk.

32. The cost of borrowing for a specific company should be the sum of the CDS spread (which accounts for the credit risk) and the return a lender can get on a risk-free investment (the risk-free rate). The risk-free rate is typically the rate on one-year Treasury bills.

33. Because the CDS spread is a market-determined measure of a bank’s borrowing costs, it should, absent manipulation, move in the same manner as the bank’s Libor quotes provided to BBA. Inter-bank loans are generally less liquid than banks’ debt, such as bonds, because there is no secondary market for inter-bank loans. Moreover, holders of senior bonds (the type often insured by CDSs) should, in the event of default, have a recovery rate that is at least as high as for inter-bank lenders. Given these relationships between CDSs and inter-bank lending, the spread on CDSs for Defendants’ bonds should provide a lower bound for Defendants’ interbank borrowing costs. In other words, absent manipulation, the rate at which Defendants can borrow in the inter-bank market (Libor) should be higher than, but similar to, Defendants’ borrowing costs as calculated by their CDS spread plus the risk-free rate.

34. During the financial crisis that began in 2007, Defendants were or were perceived to be greater credit risks than before the financial crisis. As a result, the CDS spread for Defendants increased substantially from what it was prior to the Class Period. As a result, Defendants’ borrowing costs were greater during the Class Period than they were before.
35. The increase in Defendants' actual borrowing costs after the start of the financial crisis was not reflected in Defendants' contemporaneous Libor quotes. The following comparison of Defendants' CDS spreads for senior bonds (plus the risk-free rate) and Libor quotes shows that during 2009, Defendants reported Libor quotes substantially lower than their CDS spreads.

![Diagram](bofa_1yr_CDS_plus_1yr_Tbill_v_12mo_Quote)

Figure 3. 1-year senior CDS plus 1-year Treasury bill versus 12-month USD Libor quote for Bank of America.
Figure 4. 1-year senior CDS plus 1-year Treasury bill versus 12-month USD Libor quote for Citibank.

Figure 5. 1-year senior CDS plus 1-year Treasury bill versus 12-month USD Libor quote for JP Morgan.
36. The breakdown in the relationship between Defendants’ CDS spreads and Libor is further evidence that Defendants manipulated Libor. If an entity wants exposure to a certain bank, such as Citibank, it could loan money directly to Citibank, in which case the entity would receive interest from Citibank and be exposed to Citibank’s credit risk. Alternatively, the entity could sell a CDS on Citibank, in which case the entity would receive the premium from the CDS and be exposed to Citibank’s credit risk. But as these graphs show, during 2009, Defendants were self-reporting Libor quotes so low that a trader who made a loan to a Defendant bank at the quoted rate and then purchased CDS protection against the risk of default would earn a negative return. That makes no economic sense.

37. An analysis by the Wall Street Journal likewise found that Defendants’ self-reported Libor rates did not correspond to Defendants’ credit risk as measured in the CDS
market. That analysis also found that Defendants with substantially different credit risks still reported identical Libor rates. Defendant Citibank’s self-reported rates averaged approximately 87 basis points lower than the rate calculated using CDS pricing, Defendant JP Morgan’s was 43 basis points lower, and this trend continued for the other Defendants. None of these self-reported rates makes economic sense when compared to the actual market rates derived from CDS pricing.

**Other Indicators of Market Rates**

38. Trading in loans auctioned by the Federal Reserve—which, unlike Libor, require collateral—further demonstrates Defendants’ manipulation of Libor. At certain points during the Class Period, interest rates on collateralized loans from the Federal Reserve to banks were *higher* than the comparable self-reported Libor rate, which represents *uncollateralized* loans between banks. For example, in late 2008, the rate for the Federal Reserve’s 28-day term auction facility (under which borrowings are secured) was 3.75% while the simultaneous rate of one-month Libor (under which borrowings are unsecured) was 3.19%. Uncollateralized loans are riskier, and therefore should have a higher rate, than collateralized loans, indicating that Libor was being manipulated downward.

39. Bids in the market for commercial paper also show the suppression of Libor. Commercial paper is an unsecured, short-term promissory note that banks and other companies issue to satisfy temporary liquidity needs. As another short-term, unsecured loan, rates for commercial paper should be comparable to inter-bank rates. But in April 2008, for example, Defendant UBS was willing to pay 2.85% for money in the commercial paper market, while at the same time reporting to BBA that it could borrow money from other banks at 2.73%. If UBS could actually borrow in the inter-bank market at 2.73%, it would make no economic sense for it
to borrow money in the commercial paper market a full 12 basis points higher. This indicates that UBS’s inter-bank borrowing costs were in fact higher than the inaccurate 2.73% Libor quote it reported to BBA.

**Defendants’ Self-Reporting of Libor Is Anomalous and Indicates Manipulation**

40. The pattern of Libor quotes reported by Defendants to BBA provides further evidence that Defendants manipulated Libor during the Class Period. As described below, Defendants’ self-reported Libor quotes (a) were bunched near inflection points where Defendants had the greatest chance of manipulating Libor downward; and (b) lacked the differentiation among Defendants that one would expect given the differing credit risks they presented.

**Bunching of Libor Quotes Around the Inflection Point**

41. As discussed above, during the Class Period, Thomson Reuters discarded the four highest and four lowest quotes when calculating Libor. Thus, a reporting bank has maximum downward impact on Libor by reporting a quote to BBA that is at or just above the fourth-lowest quote. A lower quote would fall into the bottom quartile of quotes and thus not affect the average, and a higher quote would not have as significant an impact in suppressing the resulting Libor rate. It is at this inflection point, at or just above the fourth-lowest quote, that a quote from a reporting bank seeking to suppress Libor would have the greatest impact.

42. Publicly available information about the banks’ Libor quotes permitted Defendants to target the inflection point. Each day, after the Libor rates are calculated and published, the quotes provided by each of the panel banks, including each of the Defendants, are made publicly available. Thus, each day during the Class Period when the Defendants submitted their quotes to BBA, they knew the quotes that every other panel bank had submitted the previous day. This information told Defendants what quote would have hit the inflection point
the day before, and they could use this information to submit a quote targeting the inflection point on that day.

43. Because Defendants engaged in this kind of manipulation, their USD Libor quotes are bunched at the inflection point. For example, from July to October 2009 there were almost two hundred self-reported rates identical to this lower bound. An academic study of Libor also found “pronounced bunching” of self-reported rates during the first two quarters of 2009. Absent manipulation, one would expect a distribution of Libor quotes that is not clustered around this lower bound.

44. The following graphs show the distribution of self-reported 3-month USD Libor quotes for each of the Defendants from January to October 2009. Each distribution is normalized by subtracting the value of the day’s fourth lowest quote from each bank quote. These graphs show that Defendants’ self-reported quotes clustered closely together near the inflection point. Defendants thus consistently reported Libor quotes at or just a few basis points above the inflection point—the place where their quotes would have the greatest impact in suppressing Libor.
Figure 7. Distribution of the difference between Bank of America's 3-month USD Libor quote and the day's fourth lowest quote to BBA, for the period January 2009 through October 2009.

Figure 8. Distribution of the difference between Citibank's 3-month USD Libor quote and the day's fourth lowest quote to BBA, for the period January 2009 through October 2009.
Figure 9. Distribution of the difference between JP Morgan's 3-month USD Libor quote and the day's fourth lowest quote to BBA, for the period January 2009 through October 2009.

Figure 10. Distribution of the difference between UBS's 3-month USD Libor quote and
the day's fourth lowest quote to BBA, for the period January 2009 through October 2009.

**Lack of Differentiation in Libor Quotes by Panel Banks**

45. The intra-day distribution of banks’ Libor quotes also indicates that Libor was being manipulated. Prior to the Class Period, banks on the USD Libor panel often submitted very similar quotes. During this period, the CDS spreads for these banks were also similar, and low. After the start of the financial crisis, however, the intra-day variation of CDS spreads—that is, the variation in the CDS spreads for the USD Libor panel banks on any given day—grew much larger than the intra-day variation of these banks’ USD Libor quotes. The following graph shows the distributions of market-priced 1-year CDS spreads and self-reported 12-month Libor quotes from January 2009 to October 2009, normalized by subtracting the value of the day’s fourth lowest quote from each bank quote.

![Graph of 1 Year CDS Spreads and 1 Year Libor Quotes](image)

Figure 11. Distribution of 1-year CDS spreads and 12-month USD Libor quotes from January 2009 to October 2009.
46. If banks were truthfully reporting their borrowing costs in their Libor quotes, these distributions should be similar. The fact that Libor quotes are much more clustered than CDS spreads, and that they are clustered around the inflection point, indicates that Defendants were manipulating the USD Libor downward.

47. A May 29, 2008 article in the *Wall Street Journal* reports on an extensive investigation performed by the Journal into Libor rates. The Journal's study—which was reviewed and found reliable by professors from Stanford University, Columbia University, and the London Business School—found that during the first four months of 2008, the 3-month USD Libor quotes self-reported by the USD Libor panel banks, including Defendants, remained, on average, within a very tight range of 6 basis points. This was the case despite the fact that different Defendants were facing and were perceived to be facing different financial risks that rendered their perceived risks of default quite different. Stanford finance professor Darrell Duffie stated that Defendants’ self-reported rates “are far too similar to be believed” and David Juran, a statistics professor at Columbia, said that the Journal’s analysis “very convincingly” shows that Defendants’ self-reported rates are lower than what the market indicates they really are.

**Investigations of Libor Rate Setting**

48. Numerous regulators, professional organizations and analysts, and news agencies were or are investigating Defendants’ manipulation of their self-reported Libor rates.

49. On March 15, 2011, Defendant UBS disclosed that it received subpoenas from the United States Securities and Exchange Commission, the Commodity Futures Trading Commission, and the Department of Justice, seeking information concerning “whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate
LIBOR at certain times.” UBS reported that the Japanese Financial Supervisory Agency also requested information relating to UBS’s Libor self-reporting.

50. The March 15, 2011 Financial Times reported that the United Kingdom’s Financial Services Authority had requested similar information from UBS.

51. The March 15, 2011 Financial Times also reported that Bank of America and Citibank had received subpoenas and that “[a]ll the panel members are believed to have received at least an informal request for information.”

52. On April 14, 2001, the Wall Street Journal’s website MarketWatch.com reported that Bank of America, Citibank, and UBS, “among others,” have received subpoenas from U.S. regulators regarding the manipulation of Libor.

53. Bloomberg News reported on March 23, 2011 that Bank of America, Citibank, and JP Morgan had been asked by U.S. regulators to make employees available to testify as witnesses in a probe of Libor manipulation. This followed a similar request by the U.K. Financial Services Authority.

**Defendants Were Financially Motivated to Suppress Libor**

54. During the Class Period, Defendants stood to profit more (or lose less) if interest rates, including Libor, were lower. For example, Defendant Citibank acknowledged in early 2009 that its net interest revenue would increase by nearly $1 billion if interest rates fell by 1% over the course of one year and by nearly $2 billion if interest rates immediately fell by 1% and remained that way for one year. As explained above, during this period Citigroup consistently reported Libor rates at the inflection point, helping to push Libor lower.

55. Defendants are registered swap dealers or major participants in the swap market. Interest rate swaps are often tied directly to Libor, most commonly to 3-month and 6-month
Libor, and so manipulating Libor would have a significant impact for the holders of those swaps. During 2009, Defendants JP Morgan and Bank of America each had nearly $50 trillion notional value of interest rate swaps on their books. Similarly, in the third quarter of 2007, Defendant JP Morgan held nearly $60 trillion notional value of interest rate swaps.

56. While Defendants did provide some loans during the Class Period where the interest rate was tied to Libor, they protected themselves from the artificially low Libor rates that they created by instituting “floors” on their loans. As a result, even if Libor rates were severely depressed, the interest that Defendants would receive on these loans would be paid at the floor, which was higher than the actual (albeit artificially suppressed) Libor rate.

57. Though Libor floors were not common prior to the beginning of the Class Period, as one commentator noted, “Libor floors have been commonly used in the low Libor environment which started in early 2008.” According to one money manager, in 2008 Libor floors were rare, but by 2010 every new high yield loan was written to include a fixed floor.

58. Libor floors allowed Defendants to suppress Libor and earn huge profits on their swap and other derivative positions while not sacrificing as much yield from their loan portfolios.

CLASS ACTION ALLEGATIONS

59. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23, on its own behalf and as representative of the following class of persons and entities (the “Class”):

All individuals and entities (other than Defendants, their employees, affiliates, parents, and subsidiaries) that, during the period from at least August 1, 2007 through at least December 31, 2009 (the “Class Period”), owned (a) futures or options contracts based on Eurodollar deposits, or (b) futures or options contracts based on interest rate swaps tied to the USD Libor rate, that were traded on the Chicago Mercantile Exchange or the Chicago Board of Trade, and suffered
damages due to Defendants’ downward manipulation of the USD Libor rate.

60. The Class is so numerous that joinder of all members is impracticable. While the exact number of members of the Class is unknown to Plaintiff at this time, based on the nature of the financial instruments involved, Plaintiff reasonably believes that there are at least thousands of members in the Class. Class members are geographically dispersed throughout the United States.

61. Common questions of law and fact exist as to all members of the Class and predominate over any questions affecting solely individual members of the Class. These common questions of law and fact include, without limitation:

a. Whether Defendants’ conduct constituted a manipulative or unlawful act;

b. Whether Defendants manipulated Libor-based derivatives;

c. The geographic scope and duration of Defendants’ manipulation of Libor-based derivatives;

d. Whether Defendants’ unlawful conduct caused injury to the Plaintiff and the Class;

e. The fact and amount of impact on prices for futures or options contracts based on Eurodollar deposits or interest rate swaps tied to the USD Libor caused by Defendants’ conduct; and

f. The appropriate measure of damages

62. Plaintiff’s claims are typical of the claims of the other members of the Class. Plaintiff and the members of the Class have all sustained damage in that during the Class Period they owned futures or options contracts based on Eurodollar deposits or interest rate swaps tied to the USD Libor that were traded on the CME or the CBOT and suffered damages due to
Defendants’ unlawful suppression of the USD Libor. Defendants’ conduct, the effects of such conduct, and the relief sought are all issues or questions that are common to Plaintiff and the other Class members.

63. Plaintiff will fairly and adequately protect the interests of the members of the Class and have retained counsel competent and experienced in class action and commodities litigation. Plaintiff’s interests are coincident with, and not antagonistic to, the interests of the other Class members.

64. A class action is superior to other available methods for the fair and efficient adjudication of this controversy because joinder of all members of the Class is impracticable. The prosecution of separate actions by individual members of the Class would impose heavy burdens upon the courts and Defendants, and would create a risk of inconsistent or varying adjudications of the questions of law and fact common to the Class. A class action would achieve substantial economies of time, effort and expense, and would assure uniformity of decision as to persons similarly situated without sacrificing procedural fairness. There will be no material difficulty in the management of this action as a class action on behalf of the Class.

**FRAUDULENT CONCEALMENT**

65. Throughout the relevant time, Defendants have affirmatively and wrongfully concealed their unlawful conduct from Plaintiff and the Class.

66. By its very nature, Defendants’ conduct was inherently self-concealing, and indeed the success of the manipulation depended upon its self-concealing nature.

67. During the relevant time, Defendants repeatedly claimed that Libor was not being manipulated and that the process for determining Libor was sound. These statements were a pretext to conceal Defendants’ conduct designed to suppress Libor.
68. Plaintiff and members of the Class reasonably relied on the materially false or misleading explanations by Defendants, which lulled Plaintiff and members of the Class into believing that Libor had not been manipulated and was not artificially suppressed.

69. Defendants’ public statements about Libor rates were designed to, and did, cause Plaintiff and members of the Class to accept those rates without undertaking further inquiry. Even if Plaintiff or members of the Class had undertaken such an inquiry, it would have proven futile, because Plaintiff and members of the Class could not, with whatever contemporaneous information was available, have evaluated whether Defendants’ claimed justifications were valid.

70. At the time, Plaintiff and members of the Class considered Defendants’ articulated reasons for the Libor reporting to be both normal and legitimate, and, accordingly, a reasonable person under the circumstances would not have been alerted to investigate the legitimacy of Defendants’ Libor reporting.

71. Plaintiff and members of the Class could not have discovered the alleged conspiracy at a date earlier than March 15, 2011, by the exercise of reasonable diligence because of the deceptive practices and techniques of secrecy employed by Defendants to avoid detection of, and wrongfully conceal, their manipulation of Libor.

72. It was not until March 15, 2011, the date on which it was publicly disclosed that the United States was investigating UBS’s Libor quotes, that Plaintiff and members of the Class became aware, or could have become aware with the exercise of reasonable diligence, of Defendants’ unlawful conduct regarding Libor quote reporting.

73. Even with the facts and information available to Plaintiff and members of the class prior to March 15, 2011, no investigation of reasonable diligence could or would have led, nor did lead, to the discovery of the manipulation that is the subject of this action.
74. As a result of Defendants’ fraudulent concealment of their manipulation of Libor, the running of any statute of limitations has been equitably tolled as to any claims of Plaintiff or members of the Class arising from Defendants’ unlawful conduct that is the subject matter of this Complaint.

**COUNT I**

**VIOLATION OF THE COMMODITY EXCHANGE ACT**

7 U.S.C. § 1, *et seq.*

75. Plaintiff incorporates by reference and re-alleges the preceding allegations as though fully set forth herein.

76. The CME has been designated by the Commodity Futures Trading Commission ("CFTC") as a contract market pursuant to Section 5 of the CEA, 7 U.S.C. § 7. CME submits to the CFTC various rules and regulations for approval through which CME designs, creates the terms of, and conducts trading in various Libor-based futures, options, swaps and other derivative products. CME is an organized, centralized market that provides a forum for trading Libor-based futures, options, swaps and other derivative products.

77. The CBOT has been designated by the CFTC as a contract market pursuant to Section 5 of the CEA, 7 U.S.C. § 7. CBOT submits to the CFTC various rules and regulations for approval through which CBOT designs, creates the terms of, and conducts trading in various Libor-based futures, options, swaps and other derivative products. CBOT is an organized, centralized market that provides a forum for trading Libor-based futures, options, swaps and other derivative products.

78. As to futures and options contracts based on Eurodollar deposits and interest rate swaps tied to Libor that were traded on the CME or the CBOT, by their intentional misconduct, the Defendants each violated Section 9(a)(2) of the CEA, 7 U.S.C. § 13(a)(2), and manipulated
prices of contracts based on Eurodollar deposits and interest rate swaps tied to Libor that were traded on the CME or the CBOT during the Class Period.

79. Defendants’ activities alleged herein constitute market power manipulation of the prices of CME and CBOT Libor-based derivatives in violation of Sections 4s(h), 9(a), and 22(a) of the CEA, 7 U.S.C. §§ 6s(h), 13(a), and 25(a).

80. Defendants’ extensive manipulative conduct deprived Plaintiff and other traders of a lawfully operating market during the Class Period.

81. Plaintiff and others who transacted in futures and options contracts based on Eurodollar deposits and interest rate swaps tied to Libor that were traded on the CME or the CBOT during the Class Period transacted at artificial and unlawful prices resulting from Defendants’ manipulations in violation of the Commodity Exchange Act, 7 U.S.C. § 1, et seq., and as a direct result thereof were injured and suffered damages.

82. Plaintiff and the Class are each entitled to damages for the violations of the CEA alleged herein.

**COUNT II**

**VICARIOUS LIABILITY UNDER THE COMMODITIES EXCHANGE ACT**

83. Plaintiff incorporates by reference and re-alleges the preceding allegations as though fully set forth herein.

84. Each Defendant is liable under Section 2(a)(1) of the CEA, 7 U.S.C. § 2(a)(1), for the manipulative acts of their agents, representatives, and/or other persons acting for them.

**REQUEST FOR RELIEF**

WHEREFORE, Plaintiff requests relief as follows:

(A) For an order certifying this lawsuit as a class action pursuant to Rules 23(a) and
(b)(3) of the Federal Rules of Civil Procedure, and designating Plaintiff as the Class representative, and its counsel as Class Counsel;

(B) For a judgment awarding Plaintiff and the Class damages against Defendants for their violations of the CEA, together with prejudgment interest at the maximum rate allowable by law;

(C) For an award to Plaintiff and the Class of their costs of suit, including reasonable attorneys' fee and expenses; and

(D) For such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff respectfully demands a trial by jury.
Dated: July 5, 2011

Respectfully submitted,

s/Lisa J. Rodriguez
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