

# HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

## REVIEW OF THE FOUR MAJOR BANKS (FIFTH HEARINGS)

### NAB

#### NAB02QON:

Bank Bill Swap Rate manipulation	<p><b>Mr JOSH WILSON:</b> I just want to come to the issue of the manipulation of the bank bill swap rate. I know this issue has been raised in this committee and at your annual shareholder meetings previously. I understand that there's an enforceable undertaking in relation to that. I want you to update the committee on the approach that the NAB will take to borrowers and account holders who suffered economic loss as a result of that manipulation. I'm not sure how many people in that situation have been compensated. It seems to me that at times the NAB has suggested there is no need for that that to occur.</p> <p><b>Mr Chronican:</b> My understanding is that, because no actual manipulation was ever evidenced, we wouldn't know what the rate might have been had the underlying events not occurred. So there's no evidence that I'm aware of that the activities of the banks actually had the effect of changing the rate, and, therefore, I'm not sure there is an issue to be addressed.</p> <p>...</p> <p><b>Mr JOSH WILSON:</b> To the extent that you're not sure, can you provide to the committee on notice whether the NAB has regard to, or has had regard to, any material analysis or evidence that leads you to form that view?</p> <p><b>Mr Chronican:</b> If I become aware of any such evidence, then I would certainly be happy to provide it to the committee. But, my understanding is that throughout the ASIC investigation of all of the banks' engagement they didn't produce any evidence that that had been the case.</p>	Hansard pp. 55-56
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**Answer:**

In October 2017 NAB agreed a settlement with ASIC of the Bank Bill Swap Rate (**BBSW**) Federal Court legal action. The settlement was approved by the Federal Court in November 2017.

The settlement involves NAB admitting that on 12 occasions in 2010 and 2011, NAB employees in the course of trading in the BBSW market attempted to engage in unconscionable conduct in breach of the ASIC Act. NAB also acknowledged breaches of its licence obligations under the Corporations Act and agreed to an Enforceable Undertaking with ASIC. As part of the Court approved settlement NAB paid: a \$10 million penalty; and ASIC's costs of \$20 million. NAB also donated \$20 million to a financial consumer protection fund which was nominated by ASIC.

There were no findings of manipulation by NAB. In the circumstances there are no borrowers and account holders who have been identified as having suffered economic loss as a result of manipulation of the BBSW. Accordingly, there was and is no issue to be addressed with regard to borrowers or account holders.