

Decision of the Competition and Markets Authority

Competition Act 1998

**UK government bonds: Citi-Deutsche
Bank Infringement**

Case Number: 50601

21 February 2025



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Confidential information in the original version of this Decision has been redacted from the published version on the public register. Redacted confidential information in the text of the published version of the Decision is denoted by [§<]. Some numbers have been replaced by a range. These are shown in square brackets.

The names of individuals mentioned in the description of the infringements in the original version of this Decision have been removed from the published version on the public register. Names have been replaced by a general descriptor of the individual's role.

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ANNEX

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1. INTRODUCTION AND EXECUTIVE SUMMARY

- 1.1 By this Decision, the Competition and Markets Authority (the '**CMA**') has concluded that the persons listed below (each a '**Party**' and together the '**Parties**') have infringed the prohibition in section 2(1) (the '**Chapter I prohibition**') of the Competition Act 1998 (the '**Act**'):
- (a) Citigroup Global Markets Limited ('**Citigroup GML**')¹ and its ultimate parent company Citigroup Inc.² (together '**Citi**'); and
 - (b) Deutsche Bank Aktiengesellschaft³ ('**Deutsche Bank**').
- 1.2 During the period 18 July 2012 to 11 January 2013 (the '**Citi-DB Relevant Period**'), both Citi and Deutsche Bank were active and competed variously in relation to:
- (a) the purchase of conventional gilts (referred to as 'gilts') issued through auctions on behalf of the UK government ('**gilt auctions**');
 - (b) the trading of gilts and gilt asset swaps with various counterparties;⁴ and
 - (c) the sale of gilts to the Bank of England through buy-back auctions ('**gilt buy-back auctions**').
- 1.3 The CMA has found that in the Citi-DB Relevant Period, Citi and Deutsche Bank infringed the Chapter I prohibition by participating in a concerted practice, which had as its object the restriction or distortion of competition within the UK.⁵
- 1.4 Specifically, and as described further in Chapter 7, the CMA has found that Citi and Deutsche Bank participated in a single and repeated infringement on the Citi-DB Specific Dates⁶ in the form of a concerted practice which comprised the disclosure by one or both of Citi and Deutsche Bank to the other of commercially sensitive strategic information ('**commercially sensitive information**') in various communications, through bilateral Bloomberg 'chatrooms',⁷ in relation to certain

¹ A private limited company registered in England and Wales with company number 01763297 and registered and trading address of Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB.

² A company incorporated in 1988 under the laws of the State of Delaware, with its registered office in The Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA and its headquarters in 388 Greenwich Street, 38th Floor, New York, NY 10013, USA.

³ A company registered in England and Wales with company number FC007615 and overseas company address Taunusanlage 12, Frankfurt am Main, 60325, Germany. Its UK establishment number is BR000005 and the registered and trading address of its UK establishment is 21 Moorfields, London, EC2Y 9DB.

⁴ A gilt asset swap consists of a gilt and an interest rate swap (a derivative contract through which one stream of future payments (in this case, the cash payments made to holders of gilts) is exchanged for another payment stream (such as a floating rate), see paragraph 4.1(b)).

⁵ For the avoidance of doubt, this Decision makes no finding as to whether or not the concerted practice had as its effect the prevention, restriction or distortion of competition within the UK.

⁶ See the definition of the Citi-DB Specific Dates in Chapter 7.

⁷ The disclosures were made by certain traders employed by the Parties (each a '**Key Individual**' and together the '**Key Individuals**'), see Chapter 3.

gilt auctions, the trading of certain gilts and gilt asset swaps and certain gilt buy-back auctions.⁸

- 1.5 Deutsche Bank applied for, and was granted, full immunity from financial penalties under the CMA's leniency policy.⁹ This immunity will continue to apply provided that Deutsche Bank continues to comply with the conditions of the CMA's leniency policy.
- 1.6 By this Decision, the CMA is imposing a financial penalty on Citi under section 36 of the Act, in accordance with the terms of settlement that Citi has reached with the CMA.¹⁰
- 1.7 The CMA has indicated in **bold** at paragraphs 7.9, 7.17 and 7.19 and at Annex B the specific disclosures which it has found to comprise the infringing disclosures in the Citi-DB Infringement. For the avoidance of doubt, this Decision makes no findings of fact or infringement in relation to any other matters that have been the subject of the CMA's wider investigation (see Chapter 2).
- 1.8 A table of abbreviations and defined terms used in this Decision is provided at Annex A.

⁸ All references in this Decision to the Citi-DB Infringement are to the term as defined in Chapter 7.

⁹ *Applications for leniency and no-action in cartel cases* (OFT1495, adopted by the CMA Board). See Chapter 2.

¹⁰ See Chapter 2.

2. THE INVESTIGATION

- 2.1 The CMA launched a formal investigation into suspected anti-competitive arrangements involving several banks, including the infringement which is the subject of this Decision, by carrying out inspections on 13 November 2018 under section 27 of the Act without notice at the premises of certain banks, including Citi.¹¹ The case was allocated to the CMA under the concurrency framework¹² and followed an application by Deutsche Bank for a Type A immunity marker under the CMA's leniency policy.¹³
- 2.2 Citi subsequently applied for, and was granted, a preliminary Type C leniency marker.¹⁴
- 2.3 The CMA's investigation after launch included gathering material from the Parties to the CMA's Investigation and third parties including: contemporaneous documents,¹⁵ interviews of individuals previously employed by the Parties to the CMA's Investigation,¹⁶ and responses to informal information requests and/or notices issued under section 26 of the Act (together, '**Requests for Information**').¹⁷ The CMA also considered certain published documents.¹⁸

¹¹ See B-URN-000500733. In addition to Citi and Deutsche Bank, the following were also party to the CMA's investigation: HSBC Bank Plc and its ultimate parent company HSBC Holdings Plc (together, '**HSBC**'); Morgan Stanley & Co. International Plc and its ultimate parent company, Morgan Stanley (together '**Morgan Stanley**'); and RBC Europe Limited and its ultimate parent company Royal Bank of Canada (together '**RBC**') (the five parties to the CMA's investigation are each referred to as a '**Party to the CMA's Investigation**' and together as the '**Parties to the CMA's Investigation**'), in relation to separate alleged infringements. For the avoidance of doubt, none of HSBC, Morgan Stanley and RBC is an addressee to this Decision, nor has the CMA made any findings of infringement in respect of HSBC, Morgan Stanley and RBC as regards the Citi-DB Infringement.

¹² Both the CMA and the Financial Conduct Authority (the '**FCA**') have concurrent powers to apply competition law in the financial services sector (see *The Competition Act 1998 (Concurrency) Regulations 2014, Regulated Industries: Guidance on concurrent application of competition law to regulated industries (CMA10)* and *Memorandum of Understanding between the Competition and Markets Authority and the Financial Conduct Authority – concurrent competition powers, July 2019*).

¹³ *Applications for leniency and no-action in cartel cases (OFT1495)*. Deutsche Bank subsequently entered into an immunity agreement with the CMA, as part of which Deutsche Bank admitted its involvement in, and liability for, the Citi-DB Infringement.

¹⁴ Citi subsequently entered into a leniency agreement with the CMA, as part of which Citi admitted its involvement in, and liability for, the Citi-DB Infringement.

¹⁵ Including contemporaneous communications between the Key Individuals sent in 'temporary' bilateral Bloomberg chatrooms ('**Bloomberg chats**') (see Annex B).

¹⁶ Including transcripts of interviews with each of the Key Individuals (including B-URN-000502063; B-URN-000502064; B-URN-000502065; B-URN-000502066; B-URN-000502067; B-URN-000502068; B-URN-000502069; and B-URN-000502070). Each interviewed individual signed a statement of truth confirming the accuracy of their interview transcripts (including B-URN-000503127; and B-URN-000503013).

¹⁷ The CMA obtained material from each of Citi and Deutsche Bank, including as part of their respective obligations to cooperate as leniency applicants in response to a number of Requests for Information (including B-URN-000500737; B-URN-000500782; B-URN-000501071; B-URN-000501168; B-URN-000501543; B-URN-000501755; B-URN-000502165; B-URN-000500791; B-URN-000501069; B-URN-000501172; and B-URN-000501579). The CMA also issued, and received responses to, Requests for Information to the Debt Management Office (an executive agency of HM Treasury) (the '**DMO**') (see B-URN-000501301) and the Bank of England (see B-URN-000501516).

¹⁸ Including the version of the DMO's guidebook that was applicable during the Citi-DB Relevant Period (see B-URN-000503294) and the versions of the Bank of England's market notices that were applicable during the Citi-DB Relevant Period (see B-URN-000503310; and B-URN-000503309).

- 2.4 The CMA issued a Statement of Objections and Draft Penalty Statement to Citi and Deutsche Bank on 24 May 2023.^{19, 20}
- 2.5 The CMA and Citi reached a settlement before the Statement of Objections was issued,²¹ which was replaced with a settlement on 19 February 2025, after the Statement of Objections was issued.²² As part of its settlement, Citi admitted its involvement in, and liability for, the Citi-DB Infringement and agreed that a streamlined administrative procedure would apply to it for the remainder of the investigation.

¹⁹ Under section 31 of the Act and Rules 5 and 6 of the Competition Act 1998 (Competition and Markets Authority's Rules) Order 2014, SI 2014/458 (the '**CMA Rules**').

²⁰ Consistent with the conditions of leniency under the CMA's leniency policy, Deutsche Bank did not provide full written or oral representations on the Statement of Objections or the Draft Penalty Statement.

²¹ A draft Statement of Objections and Draft Penalty Calculation were provided to Citi in September 2022. As part of the settlement process, Citi provided limited representations on the draft Statement of Objections and Draft Penalty Calculation, consistent with the conditions for leniency under the CMA's leniency policy. Citi also agreed that a streamlined administrative procedure would apply to it for the remainder of the investigation. Citi did not provide written or oral representations on the Statement of Objections or Draft Penalty Statement.

²² The draft infringement decision, on the basis of which Citi reached a subsequent settlement following the issue of the Statement of Objections, was provided to Deutsche Bank and Citi in February 2025.

3. PARTIES AND KEY INDIVIDUALS

3.1 This Chapter sets out the relevant legal entities within both Parties and details of the Key Individuals through whom the disclosures of the information set out in Chapter 7 were made.

A. Citi

3.2 Citi is a global bank ‘whose businesses provide consumers, corporations, governments and institutions with a ... range of financial products and services’.²³

3.3 The ultimate parent company of the undertaking is Citigroup Inc.

3.4 Citigroup GML is designated as a wholesale gilt-edged market maker (‘**GEMM**’)²⁴ and was a GEMM throughout the Citi-DB Relevant Period.²⁵ Citigroup GML is a wholly owned subsidiary of Citigroup Inc.²⁶

A.1 [Citi Trader] (Citi)

3.5 [Citi Trader] was employed by Citigroup GML, a subsidiary within Citi, from [X] to [X] ([X]). [Citi Trader] was therefore an employee of Citi throughout the Citi-DB Relevant Period.²⁷

3.6 During the Citi-DB Relevant Period, [Citi Trader] was a senior trader on Citi’s [desk] as part of a team of [X] individuals responsible for (among other things) gilts and gilt asset swaps, who sat together.²⁸ In this role, [Citi Trader] participated in gilt auctions, the trading of gilts and gilt asset swaps and in gilt buy-back auctions on behalf of Citi.²⁹

3.7 Although [Citi Trader]’s role was primarily that of a gilt market maker, he said that he would have traded gilt asset swaps (‘a handful of times’) either directly or by

²³ Citi Annual Report for the year ending 31 December 2023, page 4. Available from:

<https://www.citigroup.com/rcs/citigpa/storage/public/Citi-2023-Annual-Report.pdf> [Accessed on 7 October 2024].

²⁴ See Chapter 4. During the Citi-DB Relevant Period, there were 19 wholesale GEMMs, including each of the Parties (B-URN-000503298, pages 49 to 51; and B-URN-000503299, pages 44 to 46). The DMO also designated a small number of retail GEMMs, which typically traded with smaller investors (B-URN-000503301, page 17). Retail GEMMs are not the subject of the CMA’s investigation, so are not considered further in this Decision.

²⁵ B-URN-000503298, page 49; B-URN-000503299, page 44; and the DMO’s list of GEMMs available from <https://www.dmo.gov.uk/responsibilities/gilt-market/market-participants/> [Accessed on 17 October 2024].

²⁶ Citi Annual Report for the year ending 31 December 2023, page 44. Available from: <https://www.citigroup.com/rcs/citigpa/storage/public/Citi-2023-Annual-Report.pdf> [Accessed on 7 October 2024]. This was also the case throughout the Citi-DB Relevant Period.

²⁷ B-URN-000503292; and B-URN-000500152. Although [Citi Trader] (Citi) gave different dates for his employment (namely [X] to [X]) (B-URN-000502063, page 12), this does not affect the CMA’s finding that he was employed by Citi throughout the Citi-DB Relevant Period.

²⁸ B-URN-000500841, pages 26 to 27; and B-URN-000502063, pages 21 to 22.

²⁹ B-URN-000500841, page 27; and B-URN-000502063, pages 13, 16 to 17, 21, 30 and 34.

working with the Citi swaps desk (ie those traders on the [desk] who were primarily responsible for trading interest rate swaps and gilt asset swaps).³⁰

B. Deutsche Bank

3.8 Deutsche Bank is a global bank which offers '*investment, financial and related products and services to private individuals, corporate entities and institutional clients around the world*'.³¹

3.9 The ultimate parent company of the undertaking is Deutsche Bank Aktiengesellschaft ('**Deutsche Bank**'). Deutsche Bank is designated as a GEMM and was a GEMM throughout the Citi-DB Relevant Period.³²

B.I [DB Trader] (Deutsche Bank)

3.10 [DB Trader] was employed by DB Group Services (UK) Limited, a subsidiary within Deutsche Bank,³³ from [X] to [X] ([X]).³⁴ [DB Trader] was therefore an employee of Deutsche Bank throughout the Citi-DB Relevant Period.

3.11 [DB Trader] was a trader on Deutsche Bank's [desk] as part of a team that traded gilts and certain sterling derivatives (including interest rate swaps), which sat together.³⁵ In this role, [DB Trader] participated in gilt auctions, the trading of gilts and gilt asset swaps and in gilt buy-back auctions on behalf of Deutsche Bank.³⁶

3.12 In light of the above and having taken into account the evidence summarised in Chapter 7 and Annex B, the CMA has concluded that [DB Trader] carried on the activities of Deutsche Bank during the Citi-DB Relevant Period, namely the participation in gilt auctions, the trading of gilts and gilt asset swaps and in gilt buy-back auctions that formed part of the Citi-DB Infringement.

³⁰ B-URN-000502063, pages 16 to 17 and 21. [Citi Trader] (Citi) also said that he was often consulted by Citi's swap traders in relation to how to price the gilt element of a gilt asset swap, because of his role in gilts (B-URN-000502064, pages 218 to 221).

³¹ Deutsche Bank Annual Report 2023, page 6. Available from: <https://investor-relations.db.com/files/documents/annual-reports/2024/Annual-Report-2023.pdf> [Accessed on 3 October 2024].

³² B-URN-000503298, page 49; and B-URN-000503299, page 44; and the DMO's list of GEMMs available from <https://www.dmo.gov.uk/responsibilities/gilt-market/market-participants/> [Accessed on 17 October 2024].

³³ B-URN-000503142. DB Group Services (UK) Limited is a private limited company registered in England and Wales with the company number 03077349, which acts as an employing entity for Deutsche Bank and its subsidiaries. DB Group Services (UK) Limited is owned and controlled by Deutsche Bank (See Deutsche Bank Annual Report for the year ending 31 December 2023, page 360. Available from: <https://investor-relations.db.com/files/documents/annual-reports/2024/Annual-Report-2023.pdf> [Accessed on 3 October 2024]).

³⁴ B-URN-000503262; and B-URN-000502065, pages 15 to 16.

³⁵ B-URN-000501299, paragraphs 1.1 to 1.5; and B-URN-000502068, pages 24 to 25.

³⁶ B-URN-000501299, paragraphs 1.2 to 1.5; B-URN-000501610, paragraph 1.1; and B-URN-000502065, pages 16 to 19.

4. INDUSTRY BACKGROUND

A. Products

4.1 The Citi-DB Infringement³⁷ relates to the following two products:³⁸

- (a) **Gilts:**³⁹ sterling-denominated UK government bonds, pursuant to which the UK government guaranteed to pay the holder of the gilt an annual cash payment (the coupon) in two equal semi-annual payments until the gilt's maturity date, at which point the UK government would pay the holder the final coupon payment and the principal amount ('gilts');⁴⁰ and
- (b) **Gilt asset swaps:** a product consisting of a gilt and an interest rate swap, typically with the same or similar maturity date as the gilt ('**gilt asset swaps**'). An interest rate swap was a derivative contract through which one stream of future payments (in this case, the gilt's fixed coupon payments) was exchanged for another payment stream (such as a floating rate).⁴¹ A dealer would use a gilt asset swap to, for example, hedge interest rate risk.⁴²

B. Parties' role as GEMMs

4.2 In relation to gilts, each of the Parties was designated as a GEMM during the Citi-DB Relevant Period. GEMMs were subject to a number of obligations,⁴³ and were entitled to certain privileges,⁴⁴ in relation to the issuance and trading of gilts. The Parties played a similar, but informal, role as dealers of gilt asset swaps.⁴⁵

³⁷ This Decision uses the past tense to denote that the relevant description refers to the matters as they pertained during the Citi-DB Relevant Period.

³⁸ These products were interrelated. For example, their prices were linked (see footnotes 90 and 91) and gilt asset swaps could be bought and sold through a single trade or through two separate trades (referred to as legs): (i) an outright trade of a gilt; and (ii) an interest rate swap (see B-URN-000502068, pages 29 to 30).

³⁹ References to 'gilts' in this Decision are to conventional gilts. Since no other sub-categories of gilts are the subject of the Citi-DB Infringement, they are not addressed further in this Decision. On occasion, Parties and/or the Key Individuals would refer to a gilt as a 'bond' (see B-URN-000502063, page 83; and B-URN-000502065, page 56).

⁴⁰ B-URN-000503300, page 4 and B-URN-000500865, paragraph 1.1(a). When referring to individual gilts, each Party often used a shorthand referring to the annual coupon (with a letter replacing the decimal figure ('q' for .25, 'h' for .5 and 't' for .75)) and the last two digits of the gilt maturity year. On occasion, this was further shortened to just the last two digits of the gilt maturity year (see B-URN-000502065, pages 123 to 124). A Party would also have referred to a gilt by reference to its remaining maturity (for example, a reference to a gilt switch consisting of five-year and ten-year gilts in 2010 would have been a reference to a gilt switch between gilts maturing in 2015 and 2020 (see B-URN-000502063, page 124; B-URN-000502066, page 281; and Annex B)).

⁴¹ B-URN-000501195, paragraph 20.2; and B-URN-000502065, pages 208 to 209.

⁴² B-URN-000501195, paragraph 20.2.

⁴³ Including, in relation to gilt auctions, to participate '*in a meaningful way in the auction process*' and to purchase a certain percentage of gilts at gilt auctions over a rolling period and, in relation to the trading of gilts, to make '*continuous and effective bid and offer prices*' to clients and maintain a specific market share in gilts over a rolling period (B-URN-000503294, paragraphs 15 to 17 and 19).

⁴⁴ Including, in relation to gilt auctions, being the only institutions eligible to submit competitive bids directly and, in relation to the trading of gilts, having exclusive trading and viewing access to the services of inter-dealer brokers ('IDBs') (see B-URN-000503294, paragraphs 24 and 29).

⁴⁵ B-URN-000502066, pages 13 to 15.

4.3 The Parties were therefore active in the following (among other matters), as set out in more detail below:

- (a) gilt auctions;⁴⁶
- (b) the trading of gilts and gilt asset swaps with various counterparties (that is, GEMMs, other dealers and clients); and
- (c) gilt buy-back auctions.

B.I Gilt auctions

4.4 Gilts were issued on behalf of HM Treasury by the DMO, which was responsible for raising finance for the UK government and minimising its financing cost over the long-term.⁴⁷

4.5 Each gilt auction related to either a single new gilt or an issuance of additional volumes of a single, specific gilt already in issue (known as a **'tap auction'**).⁴⁸

4.6 At any time during a gilt auction window (which typically opened at 08:00 and closed at 10:30), each of the Parties (and other GEMMs) could submit as many bids (referred to as a **'bid'**, **'bids'** or **'bidding'**) as it wished. Each bid would specify a volume (the **'bid volume'**) of the gilt being issued (the **'auction gilt'**) and the price for that bid volume (the **'bid price'**).⁴⁹ GEMMs bid *'blindly'* (ie they could not see other GEMMs' bids).⁵⁰ A GEMM could amend or withdraw its bid(s) up to, or very close to, the close of the gilt auction window.⁵¹

4.7 After the end of the gilt auction window, the DMO determined the results of the gilt auction according to the bid prices submitted, which it would announce a few minutes after the end of the gilt auction window.⁵²

⁴⁶ In addition to gilt auctions, gilts were also issued through syndications, whereby the DMO selected certain GEMMs to act as lead managers who underwrote the majority of the gilts being issued, generated and recorded interest from investors and supported the DMO in the sale process in return for fees (B-URN-000500841, page 21; and B-URN-000500865, paragraphs 21.1 to 21.5). The Citi-DB Infringement only relates directly to gilt auctions, so the Parties' roles in relation to syndication are not considered further in this Decision.

⁴⁷ B-URN-000503295, page 1 and paragraphs 1 and 2.

⁴⁸ B-URN-000500865, paragraph 2.2.

⁴⁹ B-URN-000503294, paragraphs 45 to 47. Volumes of gilts (including bid volumes) were typically expressed as the nominal value (ie the face value) of the amount of the gilt (see B-URN-000503300, page 5).

⁵⁰ B-URN-000501382, page 8.

⁵¹ B-URN-000503294, paragraph 46. [DB Trader] (Deutsche Bank) said in interview that he would amend his bids up until the close of the relevant gilt auction (B-URN-000502069, page 234) and [Citi Trader] (Citi) said in interview that he tended to finalise his bids in a gilt auction within the last '90 seconds' of the gilt auction (B-URN-000502063, page 91). The DMO stated '*[i]t is very common... for bids to be adjusted or fine-tuned very close to the bidding deadline in order to account for any changes in the prevailing... market at the last possible moment*' (B-URN-000501382, page 12).

⁵² B-URN-000503294, paragraphs 55 to 59 and 63; and B-URN-000501382, page 8.

- 4.8 Since GEMMs were the only institutions eligible to bid directly in gilt auctions,⁵³ the Parties competed against each other, and other GEMMs, in relation to the bidding for gilts in gilt auctions.

B.II Trading of gilts and gilt asset swaps

- 4.9 The Parties' trading of gilts and gilt asset swaps included:

- (a) in relation to gilts, the outright purchase or sale of an individual gilt; and the purchase of one specific gilt and the sale of another specific gilt (a '**gilt switch**')⁵⁴ (such trading, individually and collectively, is referred to in this Decision as the '**trading of gilts**'); and
- (b) in relation to gilt asset swaps, the outright purchase or sale of a gilt asset swap (either as a single trade or in two separate legs) (such trading is referred to in this Decision as the '**trading of gilt asset swaps**').

- 4.10 The trading of gilts and the trading of gilt asset swaps, individually and collectively, is referred to in this Decision as '**trading**', and '**trade**' shall be interpreted accordingly.⁵⁵

- 4.11 The vast majority of trading took place 'over-the-counter' throughout the trading day (which typically began at 07:30 (for gilt asset swaps) or at 08:00 (for gilts) and ended at 17:00).⁵⁶ The Parties and other dealers traded through a range of channels, including:

- (a) with clients:⁵⁷ directly,⁵⁸ via agency brokers⁵⁹ and, in relation to gilts only, via electronic trading platforms (including Bloomberg and Tradeweb);⁶⁰ and

⁵³ B-URN-000503294, paragraph 24.

⁵⁴ B-URN-000502063, page 34; and B-URN-000502067, page 54. The Parties also traded '**gilt basis**', which was similar to a gilt switch, but consisted of the purchase of a gilt and the sale of a '**gilt future**' (a derivative contract to buy or sell a gilt on a specified date at a predetermined price (B-URN-000501195, paragraph 20.3)) or vice versa (B-URN-000502065, pages 247 to 248).

⁵⁵ Similarly, the price in relation to a trade or potential trade of gilts and gilt asset swaps by a dealer is referred to in this Decision as the '**trading price**'.

⁵⁶ In particular, the trading day began when the relevant futures market opened (ie 07:30 for interest rate futures or 08:00 for gilt futures) and ended at 17:00 when those markets closed (see B-URN-000502063, page 18; B-URN-000502068, pages 6 to 7; and B-URN-000503294, paragraph 97).

⁵⁷ Subject to each GEMM's obligation continually to make bid and offer prices (see footnote 43).

⁵⁸ B-URN-000502063, page 31; B-URN-000502065, pages 38 to 39 and 44 to 45; and B-URN-000502066, pages 12 to 13.

⁵⁹ See, for example in relation to gilts, B-URN-000500865, paragraph 4.1(c).

⁶⁰ B-URN-000501198, page 5; and B-URN-000501195, paragraphs 9.1 to 9.7.

(b) with other counterparties: via brokers (including, for gilts, IDBs)⁶¹ and directly (although such trading was not common).⁶²

- 4.12 A dealer would typically trade for a range of strategic reasons, including to meet client needs,⁶³ manage risk,⁶⁴ and, in relation to the trading of gilts only, to meet its obligations as a GEMM and to demonstrate a strong market presence to win a lead manager role in syndication.⁶⁵
- 4.13 The Parties therefore competed with each other (and other dealers) in relation to trades with both clients and other counterparties. Typically, such competition was largely based on the level of the trading price.⁶⁶ Although the Parties had access to certain information about trading pricing,⁶⁷ when determining its own trading price in normal conditions of competition a Party would not be expected to know the trading price quoted to a client by any competing dealer.⁶⁸

B.III Gilt buy-back auctions

- 4.14 GEMMs were eligible to participate in gilt buy-back auctions conducted by the Bank of England at certain times during the Citi-DB Relevant Period as part of its quantitative easing policy to stimulate the UK economy.⁶⁹
- 4.15 At any time during the gilt buy-back auction window (typically between 14:15 and 14:45), the Parties (and other participants) could submit offers (referred to as an 'offer', 'offers' or 'offering'),⁷⁰ which could be amended or withdrawn up to, or very close to, the close of the gilt buy-back auction window.⁷¹

⁶¹ B-URN-000501198, page 6; B-URN-000500865, paragraphs 4.1(b) to (c); and B-URN-000502066, pages 8 to 10. GEMMs' obligation continually to make bid and offer prices applied only to clients, not with other GEMMs (see B-URN-000503294, paragraphs 94 to 95).

⁶² B-URN-000501198, page 9; B-URN-000501195, paragraph 11.3; and B-URN-000502063, pages 43 and 50 to 51. The CMA has not relied on the information disclosed by the Parties for the purpose of trading directly with each other as evidence of the Citi-DB Infringement (noting that such direct trades were uncommon).

⁶³ B-URN-000500841, page 12.

⁶⁴ B-URN-000501195, paragraph 16.7(b).

⁶⁵ See footnotes 43 and 46; and B-URN-000500865, paragraphs 10.1 and 10.2.

⁶⁶ B-URN-000500841, page 24; and B-URN-000500865, paragraph 29.1.

⁶⁷ See paragraph 4.20 below.

⁶⁸ Although electronic trading platforms disclosed the (anonymous) second highest price to the successful GEMM, this would only be done after the trade had completed. See, for example, B-URN-000501198; pages 5 and 7 (where Citi stated that clients might disclose pricing information in certain circumstances); and B-URN-000501195, paragraphs 9.5 and 9.6. The CMA notes that [DB Trader] (Deutsche Bank) said in interview that certain, but not all, GEMMs' indicative prices may have been available on occasion through a page on one of the electronic trading platforms (see B-URN-000502066, pages 24 to 26).

⁶⁹ B-URN-000500756, tab 'Info requests – responses'. GEMMs were under no obligation to participate and the obligations imposed, and privileges granted, by the DMO did not relate to gilt buy-back auctions.

⁷⁰ B-URN-000500756, tab 'Info requests – responses'; and B-URN-000503310, paragraphs 17, 20 and 30 to 31.

⁷¹ B-URN-000500756, tab 'Info requests – responses', in which the Bank of England stated that '*it is in ... counterparties' interest to update pricing close to the end of the competitive auction, and counterparties have the ability in the Btender system to update pricing as many times as the counterparty would like while the auction is open*'. [Citi Trader] (Citi) said in interview that it was difficult to submit or amend offers in the last minute or two of the gilt buy-back auction window ('... *it takes a minimum of a minute to make changes... at this time it was taking even longer, so realistically, at 2:43 was when you would be able to put your prices in...*' at B-URN-000502063, page 174). [DB Trader] (Deutsche Bank) informed the CMA that he '*generally... tried to... put [his offers in] at 14:44 because... there would be*

- 4.16 Each offer would involve a specific volume (the ‘**offer volume**’) of a specific gilt within the relevant maturity range⁷² (the ‘**offer gilt**’) and the price for selling that volume of that gilt (the ‘**offer price**’).⁷³ Each Party’s offer(s) were confidential.⁷⁴
- 4.17 After the gilt buy-back auction window closed, the Bank of England allocated offers for the different gilts ‘*based on the attractiveness of offers for each [gilt] relative to market yields for the [gilts], as published by the DMO, at the close of the auction.*’⁷⁵ The results would be published a few minutes after the end of the gilt buy-back auction window.⁷⁶
- 4.18 The Parties, as GEMMs, therefore competed with each other (and other participants) in relation to the selling of gilts to the Bank of England via gilt buy-back auctions.

C. The determination of pricing by a Party

- 4.19 Since the vast majority of trading took place over-the-counter (see paragraph 4.11), there was no single, agreed ‘market’ price for each product.⁷⁷ Each Party was therefore required to apply its own independent judgement to determine the price at which it would be willing to bid in a gilt auction, offer in a gilt buy-back auction or buy or sell a product through trades⁷⁸ by reference to a range of imperfect sources of available information.
- 4.20 There was a range of information available to each Party (and other dealers) about variously gilts and gilt asset swaps, including information made available by:
- (a) the DMO, including composite and end-of-day mid-prices and the results of gilt auctions and syndications;⁷⁹

times [he would] try and tweak it after that, um, and times it would work and other times it [would] be like it would have failed’ (B-URN-000502068, page 254). For example, [DB Trader] (Deutsche Bank) said in interview that **Citi-DB, A-URN-000067** (see further Chapter 7 and Annex B) could have been be an instance in which he did seek to amend his offer(s) in the last minute of the gilt buy-back auction: ‘*it could have been the case that in that last minute ... someone sold me some bonds I was like, "Ooh", and I'd better offer for some 60s, so I offered them at mid*’ (see B-URN-000502070, page 329).

⁷² B-URN-000503310, paragraph 10.

⁷³ B-URN-000503310, paragraph 21.

⁷⁴ See B-URN-000502068, pages 130 to 131.

⁷⁵ B-URN-000503310, paragraph 11.

⁷⁶ B-URN-000503310, paragraph 30.

⁷⁷ Instead, every specific trade made by a Party would be negotiated and priced bilaterally between it and the trading counterparty (whether directly, through an electronic trading platform, or via a broker).

⁷⁸ Prices of gilts were typically quoted as a price per £100 nominal (see footnote 49). The Parties often only referred to the fractional part of the price (the pence or ‘cents’) (see B-URN-000502063, page 146; and B-URN-000502066, page 252). Prices could also have been expressed as a yield (reflecting the returns from a product as a percentage of the price), referred to in basis points or ‘bps’ (see B-URN-000502065, page 232). When considering a price for a product involving more than one leg (eg gilt switches), the Parties typically referred to prices articulated as yields (see, for example, B-URN-000501198, page 12). There was [a mathematical relationship] between a price and a yield (see the DMO’s formulae for converting prices to yields (and vice versa): <https://www.dmo.gov.uk/media/1sljygu/yldqns.pdf> [Accessed on 18 October 2024]).

⁷⁹ See paragraph 4.7; and B-URN-000501382, pages 16 to 18; B-URN-000501198, page 8; B-URN-000501195, paragraph 13.1; and B-URN-000502065, page 52.

- (b) the Bank of England, including the results of gilt buy-back auctions;⁸⁰
- (c) electronic trading platforms, including composite mid-prices⁸¹ and limited details of client trading;⁸²
- (d) IDBs and other brokers, including:
 - (i) in relation to gilts: trading prices available via that broker⁸³ and details of trades after they had completed (including the product(s) and price);⁸⁴
 - (ii) in relation to gilt asset swaps: trading prices available via that broker⁸⁵ and details of trades after they had completed (including the product(s) and price);⁸⁶ and
- (e) a client on an *ad hoc* basis.⁸⁷

4.21 Each Party (and other dealers) would typically have interpreted the available information, including the information listed above, in order to determine its internal mid-prices (sometimes referred to as ‘**mid**’ or ‘**middle**’)⁸⁸ for each gilt and gilt asset swap, which were intended to represent where the Party/dealer considered it ‘*should be priced*’, given ‘*current market conditions*’.⁸⁹

4.22 The Parties each took broadly the same approach to determining their respective gilt mid-prices regardless of the context in which such mid-prices were to be applied.⁹⁰ To determine such mid-prices, in addition to and in combination with the information and approach referred to in paragraphs 4.20 and 4.21 above, the Parties will have used pricing software (also referred to as a ‘**pricer**’).⁹¹ A Party’s

⁸⁰ See paragraph 4.17; B-URN-000502063, pages 61 to 62; and B-URN-000502065, page 53.

⁸¹ B-URN-000501198, page 5; and B-URN-000501195, paragraph 11.1.

⁸² B-URN-000501198, page 7; and B-URN-000501195, paragraph 9.6.

⁸³ See, for example, the response from [another party to the CMA’s investigation] (B-URN-000501214, page 6) to a Request for Information (B-URN-000501075).

⁸⁴ B-URN-000501198, page 6; and B-URN-000501195, paragraph 10.5.

⁸⁵ B-URN-000502066, page 8.

⁸⁶ B-URN-000502068, pages 7 to 8.

⁸⁷ B-URN-000500865, paragraph 36.1; and B-URN-000501195, paragraph 16.3(d)(i).

⁸⁸ Deutsche Bank’s responses to the Requests for Information refer to the ‘*fair value*’ price rather than the mid-price (see, for example, B-URN-000501195, paragraph 16.3(a)), which the CMA understands to be the same as the mid-price (for example, [DB Trader] (Deutsche Bank) said in interview that Deutsche Bank’s pricer (see paragraph 4.22) produced mid-prices for gilts (B-URN-000502066, page 16)).

⁸⁹ In a response to a Request for Information, Citi stated that ‘*pricers/internal mid-prices substantially reflect observations on current market conditions in addition to Citi’s judgment about where a gilt should be priced*’ (see B-URN-000501198, page 11).

⁹⁰ B-URN-000501198, page 11; B-URN-000501567, page 2; B-URN-000501195, paragraph 16.9; and B-URN-000501610, paragraph 2.1. In addition, a Party’s mid-price for a gilt asset swap derived from that Party’s mid-price for the relevant gilt and a similar process undertaken for the relevant interest rate swap (B-URN-000502064, page 218; and B-URN-000502066, pages 28 to 29).

⁹¹ B-URN-000501198, pages 10 to 12; and B-URN-000501195, paragraphs 16.3 to 16.6. To change a gilt asset swap mid-price, an adjustment would need to be made to the gilt and/or interest rate swap pricer (B-URN-000502064, page 218; and B-URN-000502066, pages 29 to 30).

pricer was proprietary or confidential^{92, 93} and a Party's mid-prices for both gilts and gilt asset swaps were not ordinarily available to other GEMMs and dealers.⁹⁴

- 4.23 There could be differences between two dealers' respective internal mid-prices, for example because certain information would only be disclosed to specific dealers (eg between counterparties to a trade), dealers could give different weight to information from certain sources or in certain contexts, and the available information changed frequently in response to market dynamics.⁹⁵
- 4.24 A dealer would then determine its bid price(s) for a gilt auction, its trading price(s)⁹⁶ and/or its offer price(s) for a gilt buy-back auction⁹⁷ by reference to:⁹⁸
- (a) its mid-price for the relevant product; and
 - (b) the amount (if any) by which the dealer considered the relevant price ought to differ from that mid-price in order to reflect the dealer's interest in the gilt auction, trade or gilt buy-back auction in question, having had regard to a range of information including that specified in paragraph 4.20.
- 4.25 In determining a bid price for a gilt auction, trading price or offer price for a gilt buy-back auction, in addition to the mid-price, a dealer would therefore also consider a range of other factors, including, for example, its trading position, and the levels of current and future demand, in the relevant, and similar, products.⁹⁹

⁹² For example, although Citi did not specifically state whether or not it considered its pricer to be proprietary or confidential (B-URN-000501198, page 11), Deutsche Bank confirmed in its response that the software '*was (and remains) proprietary*' (B-URN-000501195, paragraph 16.8).

⁹³ Given the nature of each Party's equivalent gilt asset swap pricer (see footnote 90), the CMA infers that it would also be considered proprietary or confidential.

⁹⁴ B-URN-000502063, page 66; and B-URN-000502067, pages 60 to 61. Although Citi and Deutsche Bank referred to the fact that the pricing outputs from the gilt pricer (ie gilt mid-prices) were disclosed to clients (B-URN-000501198, page 11 and B-URN-000501195, paragraph 16.8), given the evidence available, the CMA considers that such prices ordinarily remained confidential at least as between GEMMs and dealers.

⁹⁵ [Citi Trader] (Citi) gave, in interview, the following example of how he would assess information about a gilt switch received from an IDB '*...say for example [a gilt switch between five-year gilts and ten-year gilts] has traded at 9 and the following price is 9/10, it's debateable as to whether that means the mid is 9.5, because that's the mid between 9 and 10, or whether it's 9.05, because the last bidded price was 9, or whether -- because 9 traded and then it was left buying, there are more buyers than sellers, so maybe the mid should be 9.9*' (B-URN-000502063, page 57). [DB Trader] (Deutsche Bank) said in interview that '*some [trades] you'd maybe give more weight to and... that would raise your price*' (B-URN-000502066, page 180). See also B-URN-000501198, page 11.

⁹⁶ Given the similarities in how gilts and gilt asset swaps were priced and traded (see paragraphs 4.11 and 4.22), the CMA has inferred that a dealer would typically have considered certain similar factors when determining a trading price for gilts and gilt asset swaps (except factors that relate to their obligations as GEMMs, which did not apply to gilt asset swaps).

⁹⁷ Given the similarities between the processes for gilt buy-back auctions and gilt auctions (see paragraphs 4.5 to 4.7 and 4.15 to 4.17), the CMA has inferred that a dealer would typically have considered certain similar factors when determining offer prices for gilt buy-back auctions as when determining bid prices for gilt auctions.

⁹⁸ B-URN-000501198, pages 10 to 11; B-URN-000502063, page 58; B-URN-000502064, pages 214 to 216; B-URN-000501195, paragraphs 16.1 to 16.10; and B-URN-000502066, pages 180 to 182. [Citi Trader] (Citi) said in interview that his internal mid-price '*would be my reference for making a price to clients*' (B-URN-000502063, page 63) and [DB Trader] (Deutsche Bank) said in interview that his internal mid-price was '*a reference point from where I start my bids*' (B-URN-000502066, page 181).

⁹⁹ B-URN-000500841, pages 14, 27 and 29 to 30; B-URN-000502063, pages 83 to 86; B-URN-000502064, page 199; B-URN-000501195, paragraphs 8.2, 16.7(b), 16.7(c) and 16.10(c); B-URN-000500865, paragraphs 4.1(a) and 29.1(e); B-URN-000502065, page 51; and B-URN-000502068, pages 30 to 31.

5. MARKET DEFINITION

- 5.1 In the present case, it is not necessary to reach a definitive view on the relevant market, since it is possible, without such a definition, to determine whether there has been an infringement of the Chapter I prohibition.¹⁰⁰ Nor is it necessary for the CMA to set out the precise relevant market definition in order to assess the appropriate level of the penalty.¹⁰¹
- 5.2 The CMA has considered the two focal products for the Citi-DB Infringement (gilts and gilt asset swaps). For the reasons set out below, the CMA has treated the relevant market for the purposes of calculating the relevant turnover to establish the level of any financial penalty (see Chapter 8) as comprising bidding for gilts in gilt auctions, trading of gilts and gilt asset swaps, and offering of gilts in gilt buy-back auctions globally (the '**Relevant Market**').
- 5.3 In relation to the relevant product market, the CMA has concluded that gilts and gilt asset swaps (of all maturities and across all market segments¹⁰²) formed part of the same product market, since:
- (a) there is evidence of demand-side substitutability,¹⁰³ albeit that such substitutability was potentially limited and dependent on the circumstances;¹⁰⁴
 - (b) in relation to supply-side substitutability, there were several key similarities in the conditions of competition between the Parties across gilts and gilt asset swaps, regardless of their maturity, and across market segments;¹⁰⁵ and

¹⁰⁰ Case T-216/13 *Telefónica, SA v Commission*, EU:T:2016:369, paragraph 214; Case T-62/98 *Volkswagen AG v Commission*, EU:T:2000:180, paragraph 230; Case T-29/92 *SPO and Others v Commission*, EU:T:1995:34, paragraph 74.

¹⁰¹ *Argos and Littlewoods v OFT* and *JJB Sports v OFT* [2006] EWCA Civ 1318, paragraphs 169 to 173 and 189 and *Argos and Littlewoods v OFT* [2005] CAT 13 at [178]. CMA, *Guidance as to the appropriate amount of a penalty*, CMA73, 16 December 2021 ('**Penalty Guidance**'), paragraph 2.10. Rather, the CMA must be '*satisfied on a reasonable, and properly reasoned basis, of what is the relevant product market affected by the infringement*' (Penalty Guidance, paragraph 2.10, *Argos and Littlewoods v OFT* and *JJB Sports v OFT* [2006] EWCA Civ 1318, paragraph 170). The CMA considers that this principle also applies when assessing the relevant geographic market.

¹⁰² For the purposes of the CMA's investigation, the market segments are gilt auctions, trading and gilt buy-back auctions.

¹⁰³ Since GEMMs were involved in two-way trading (see paragraph 4.11 and footnote 43), the CMA has considered 'demand-side substitutability' from the perspective of clients (see paragraph 4.3(b)) and 'supply-side substitutability' and conditions of competition from the perspective of the Parties and their competitors.

¹⁰⁴ For example: (i) gilts and gilt asset swaps were interrelated (see footnote 38), but they exposed holders to different risks; (ii) although clients typically specified the maturity of the gilt or gilt asset swap product they were looking to trade (see B-URN-000501291, page 2; and B-URN-000501299, paragraphs 3.1 and 3.3), a client's trading strategy could have involved considerations of the liquidity and pricing of similar products (eg those with similar maturities) (see B-URN-000501299, paragraph 3.2); and (iii) there was some demand-side substitutability between gilt auctions and trading, since clients could participate indirectly in gilt auctions by placing a bid through a GEMM (see B-URN-000500841, page 3; and B-URN-000500865, paragraph 3.2).

¹⁰⁵ For example: (i) the Parties' activities across focal products, maturities and market segments were highly interrelated (see Chapter 4) and were undertaken by traders working on the same, or very closely connected, desks (see Chapter 3; and B-URN-000502063, pages 21 to 22; B-URN-000501299, paragraphs 2.2 to 2.4; and B-URN-000502068, pages 24 to 25); (ii) the Parties (as GEMMs) competed against each other for all maturities of the relevant products through similar

- (c) the Parties have highlighted limitations in their abilities to retrieve, and provide the CMA with, income information that specifically relates to the focal products, such that the CMA's determination of relevant turnover either includes income that falls outside, or excludes income that falls within, the focal products.¹⁰⁶

5.4 In relation to the relevant geographic market, the CMA has for the purposes of this Decision treated the relevant market as global (notwithstanding that the CMA's findings relate to a restriction or distortion of competition within the UK) since:

- (a) although each Party's GEMM entity was designated by the DMO in the UK and registered in England and Wales (see Chapter 3), the CMA is not aware of any obligations requiring GEMMs or their counterparties to have been located in the UK; and
- (b) the Parties traded with both UK and non-UK counterparties through the same processes,¹⁰⁷ which were not tied to any particular physical location.

trading processes for gilts and gilt asset swaps and auction processes in gilt auctions and gilt buy-back auctions (see Chapter 4); and (iii) each Party's closest competitors for gilts and gilt asset swaps were GEMMs (each of the Parties identified other dealers designated as GEMMs as their closest competitors for gilts and gilt asset swaps (see B-URN-000501291, pages 2 to 3 (although Citi did not specify its top ten competitors, it only refers to GEMMs in this response); and B-URN-000501299, paragraphs 4.1 to 4.2).

¹⁰⁶ See Chapter 8.

¹⁰⁷ See footnote 105. The customer information provided by the Parties identified both UK and non-UK customers, although neither included information about gilt asset swaps specifically (see B-URN-000501315; and B-URN-000501396, tab 'Top 10 Customers for Gilts').

6. THE LAW

- 6.1 This Chapter sets out the key legal principles applicable to the CMA's assessment of the Citi-DB Infringement.¹⁰⁸

A. The Chapter I prohibition

- 6.2 The CMA's findings are made by reference to the Chapter I prohibition which prohibits (among other matters) agreements between undertakings and concerted practices which may affect trade within the UK and have as their object or effect the prevention, restriction or distortion of competition within the UK,¹⁰⁹ unless they are excluded under, or exempt in accordance with, the Act.¹¹⁰

B. Undertakings

- 6.3 The concept of an 'undertaking' covers every entity engaged in economic activity, regardless of its legal status and the way in which it is financed.¹¹¹ An entity is engaged in 'economic activity' where it conducts an activity '*... of an industrial or commercial nature by offering goods and services on the market ...*'.¹¹²

C. Concerted practices

- 6.4 A concerted practice is '*a form of coordination between undertakings by which, without having reached the stage where an agreement properly so-called has been concluded, knowingly substitutes practical cooperation between them for the risks of competition*'.¹¹³
- 6.5 Each undertaking must determine independently the policy that it intends to adopt on the market.¹¹⁴ This principle precludes '*any direct or indirect contact*' between undertakings of which '*the object or effect ... is either to influence the conduct on*

¹⁰⁸ Following the UK's exit from the European Union (EU), the UK no longer has jurisdiction to apply Article 101 of the Treaty on the Functioning of the European Union (European Union (Withdrawal) Act 2018 and the European Union (Withdrawal Agreement) Act 2020). However, EU competition law principles (and European Commission decisions and statements) which predate the UK's exit from the EU remain relevant to the extent provided by section 60A of the Act.

¹⁰⁹ References to the UK are to the whole or part of the UK (section 2(7) of the Act).

¹¹⁰ Section 2(1) of the Act, as applicable in relation to (among other matters) agreements between undertakings made, and concerted practices engaged in, before the coming into force (on 1 January 2025) of amendments made to section 2 of the Act (section 119 of the Digital Markets, Competition and Consumers Act 2024 and the Digital Markets, Competition and Consumers Act 2024 (Commencement No. 1 and Savings and Transitional Provisions) Regulations 2024, S.I. 2024/1226).

¹¹¹ C-41/90 *Klaus Höfner and Fritz Elser v Macrotron GmbH*, EU:C:1991:161, paragraph 21.

¹¹² C-118/85 *Commission v Italian Republic*, EU:C:1987:283, paragraph 7.

¹¹³ C-48/69 *ICI v Commission*, EU:C:1972:70, paragraph 64. See also C-8/08 *T-Mobile Netherlands and Others* EU:C:2009:343 ('*T-Mobile*'), paragraph 26 and *JJB Sports plc v Office of Fair Trading* [2004] CAT 17 at [151]. An agreement requires '*a concurrence of wills between at least two parties, the form in which it is manifested being unimportant, so long as it constitutes the faithful expression of the parties' intention*' (Cases T-44/02 etc *Dresdner Bank v Commission*, EU:T:2006:271, paragraph 55, citing T-41/96 *Bayer v Commission*, EU:T:2000:242, paragraph 69 and T-7/89 *Hercules Chemicals v Commission*, EU:T:1991:75, paragraph 256).

¹¹⁴ C-40/73 *Suiker Unie v Commission*, EU:C:1975:174 ('*Suiker Unie*'), paragraph 173.

*the market of an actual or potential competitor or to disclose to such a competitor the course of conduct which they themselves have decided to adopt or contemplate adopting on the market’.*¹¹⁵

- 6.6 It is in this context that the caselaw has emphasised that, in a properly functioning competitive market, competitors should not know how their competitors are likely to behave. A reduction of uncertainty is therefore a key part of the concept of a concerted practice.¹¹⁶
- 6.7 Information exchange can constitute a concerted practice. A situation in which only one undertaking discloses its future intentions or conduct to its competitor can constitute a concerted practice where ‘*the latter requests it or, at the very least, accepts it*’.¹¹⁷ Therefore, the mere receipt of information is sufficient to give rise to a concerted practice.¹¹⁸ An exchange of information on a single occasion can give rise to a concerted practice.¹¹⁹
- 6.8 The mere receipt by an undertaking of price information, including pricing intentions, from a competitor is also capable of removing, or at least reducing, strategic uncertainty about future conduct on the market in question.¹²⁰ Information may be commercially sensitive even if it is capable of being obtained from other sources or inaccurate.¹²¹
- 6.9 Where an undertaking participating in a concerted practice remains active on the market, there is a presumption that it will take account of information exchanged with its competitors when determining its conduct on the market.¹²²

¹¹⁵ *Suiker Unie*, paragraph 174. See also *Apex Asphalt and Paving Co Limited v OFT* [2005] CAT 4 at [206(v)]; *Balmoral Tanks Limited v CMA* [2017] CAT 23 at [38] and *T-Mobile*, paragraph 33.

¹¹⁶ C-286/13 P *Dole Food and Dole Fresh Fruit Europe v Commission*, EU:C:2015:184 (*‘Dole’*), paragraph 121; *T-Mobile*, paragraph 35; C-194/99 P *Thyssen Stahl v Commission*, EU:C:2003:527, paragraph 81; Case C-7/95 *John Deere Limited v Commission*, EU:C:1998:256, paragraph 90; Joined cases T-25/95 etc. *Cimenteries CBR SA and Others v Commission of the European Communities*, EU:T:2000:77, paragraph 1852, and *Balmoral Tanks Limited v CMA* [2017] CAT 23 at [39] (upheld on appeal in *Balmoral Tanks Ltd & Anor v CMA* [2019] EWCA Civ 162).

¹¹⁷ Joined cases T-25/95 etc. *Cimenteries CBR SA and Others v Commission of the European Communities*, EU:T:2000:77, paragraph 1849; *Balmoral Tanks Limited v CMA* [2017] CAT 23 at [39]. The Court of Justice has held that this principle also applies in situations where a party receives information via email, rather in the context of a meeting: *Eturas UAB and Others v Lietuvos Respublikos konkurencijos taryba*, EU:C:2016:42, paragraph 50.

¹¹⁸ *JJB Sports plc and Allsports Limited v OFT* [2004] CAT 17 at [159] and *Argos Limited and Littlewoods Limited v OFT* [2004] CAT 24 at [155] citing Cases T-202/98, T-204/98 and T-207/98 *Tate & Lyle a.o v Commission*, EU:T:2001:185 paragraphs 54-58 (*‘Tate & Lyle’*), and T-1/89 *Rhone-Poulenc v Commission*, EU:T:1991:56, paragraphs 122-123.

¹¹⁹ *Lexon (UK) Limited v CMA* [2021] CAT 5 at [187(8)] citing *T-Mobile*, paragraph 59, *Balmoral Tanks Limited v CMA* [2017] CAT 23 at [46] (upheld on appeal to the Court of Appeal in *Balmoral Tanks Ltd & Anor v CMA* [2019] EWCA Civ 16, paragraph 18).

¹²⁰ T-240/17, *Campine NV and Others v Commission*, EU:T:2019:778, (*‘Campine’*), paragraph 186.

¹²¹ Joined cases C-204/00 P etc *Aalborg Portland and Others v Commission*, EU:C:2004:6, paragraphs 281-282 (*‘Aalborg’*); *Dole*, paragraph 295; T-762/14 *Koninklijke Philips NV v Commission*, EU:T:2016:738 (*‘Philips’*); paragraph 91; *Tate & Lyle*, paragraph 60; and, *Lexon (UK) Limited v CMA* [2021] CAT 5 at [187(7)] citing *Balmoral Tanks Limited v CMA* [2017] CAT 23 at [43] and [122].

¹²² Case C-49/92 P *Anic Partecipazioni SpA v Commission*, EU:C:1999:356, paragraph 121. See also *Apex Asphalt and Paving Co Limited v OFT* [2005] CAT 4 at [206(x)]. The burden is on the parties concerned to adduce evidence to rebut this presumption: T-105/17 *HSBC Holdings plc a.o v Commission*, EU:T:2019:675 (*‘HSBC’*) paragraph 67 referring to *T-Mobile*, paragraph 51, and *Dole*, paragraph 127. Where an undertaking receives strategic data from a competitor it will be presumed to have accepted the information and adapted its market conduct accordingly unless it rebuts that

D. Restriction of competition by object

D.I Key principles

- 6.10 The Chapter I prohibition prohibits (among other matters) concerted practices between undertakings which have as their object or effect the prevention, restriction or distortion of competition within the UK. The term ‘object’ in this regard refers to the ‘aim’, ‘purpose’ or ‘objective’ of the coordination between the undertakings.¹²³
- 6.11 The caselaw has held that certain types of coordination between undertakings reveal a sufficient degree of harm to competition that it may be found that there is no need to examine their effects.¹²⁴ That caselaw arises from the fact that certain types of coordination between undertakings can be regarded, by their very nature, as being harmful to the proper functioning of normal competition.¹²⁵
- 6.12 When determining whether a concerted practice reveals a sufficient degree of harm such as to constitute a restriction of competition by object, regard must be had to the content of its provisions, its objectives and the economic and legal context of which it forms a part.¹²⁶ When determining that context, it is also necessary to consider the nature of the goods or services affected, as well as the real conditions of the functioning and structure of the market or markets in question.¹²⁷
- 6.13 A concerted practice may be regarded as having a restrictive object even if it does not have the restriction of competition as its sole aim.¹²⁸

D.II Information exchange as a ‘by object’ infringement

- 6.14 It is settled law that the exchange of information between competitors is liable to be incompatible with competition law if ‘*it reduced or removed the degree of*

presumption, for example by publicly distancing itself through responding with a clear statement that it does not wish to receive such data, or reporting it to the administrative authorities – see CMA Guidance on Horizontal Agreements, August 2023 at paragraph 8.62 and the caselaw cited.

¹²³ See, for example, respectively: Case 56/64 *Consten & Grundig v Commission*, EU:C:1966:41, at 343; Case 96/82 *IAZ and Others v Commission*, EU:C:1983:310, paragraph 25; C-209/07 *Competition Authority v Beef Industry Development Society*, EU:C:2008:643, paragraphs 32-33.

¹²⁴ C-67/13 P *Groupeement des Cartes Bancaires v Commission* (‘*Cartes Bancaires*’) EU:C:2014:2204, paragraphs 49 and 57 and the caselaw cited; *HSBC*, paragraph 53. *Ping Europe Ltd v CMA* [2020] EWCA Civ 13 at paragraph 37.

¹²⁵ *Cartes Bancaires*, paragraph 50 and the caselaw cited; *HSBC*, paragraph 54; *Ping Europe Ltd v CMA* [2020] EWCA Civ 13 at paragraph 37.

¹²⁶ *Carte Bancaires*, paragraph 53, citing C-32/11 *Allianz Hungaria v Commission*, EU:C:2013:160, paragraph 36 and the caselaw cited. See also C-373/14 P *Toshiba v Commission*, EU:C:2016:26, paragraph 27.

¹²⁷ *Cartes Bancaires*, paragraph 53.

¹²⁸ See, for example, joined cases 96-102, 104, 105, 108 and 110/82 *NV IAZ International Belgium and others v Commission of the European Communities*, EU:C:1983:310, paragraphs 22-25; C-209/07 *Competition Authority v Beef Industry Development Society and Barry Brothers*, EU:C:2008:643, paragraph 21. The principles arising from the caselaw in relation to agreements which are cited in this Decision also apply in relation to the concerted practice that is the subject of this Decision.

uncertainty as to the operation of the market in question, with the result that competition between undertakings was restricted'.¹²⁹

- 6.15 In particular, the caselaw has held that an exchange of information which is capable of removing uncertainty between participants as regards the timing, extent and details of the modifications to be adopted by the undertakings concerned in their conduct on the market must be regarded as pursuing an anti-competitive object.¹³⁰
- 6.16 The caselaw has also held that exchanges of information on factors relevant to pricing amount to a restriction of competition by object.¹³¹ With specific regard to certain financial services products, this includes information relating to mid-prices.¹³²
- 6.17 The Competition Appeal Tribunal has stated that *'[t]he strictness of the law in this regard reflects the fact that it is hard to think of any legitimate reason why competitors should sit together and discuss prices at all'*.¹³³ It has also held that unilateral disclosures of pricing information can infringe the Chapter I prohibition: *'[t]he fact of having attended a private meeting at which prices were discussed and pricing intentions disclosed, even unilaterally, is in itself a breach of the Chapter I prohibition, which strictly precludes any direct or indirect contact between competitors having, as its object or effect, either to influence future conduct in the market or to disclose future intentions'*.¹³⁴

¹²⁹ HSBC, paragraph 61 and the caselaw cited. *Balmoral Tanks Limited v CMA* [2019] EWCA Civ 162 at paragraph 17 and the caselaw cited; and *Lexon (UK) Limited v CMA* [2021] CAT 5 at [187(3)].

¹³⁰ HSBC, paragraph 62 citing *Dole*, paragraph 122; and *T-Mobile*, paragraph 41; and *Lexon (UK) Limited v CMA* [2021] CAT 5 at [187(4)].

¹³¹ *Balmoral Tanks Limited v CMA* [2017] CAT 23, upheld on appeal in *Balmoral Tanks Ltd & Anor v CMA* [2019] EWCA Civ 162; *Lexon (UK) Ltd v CMA* [2021] CAT 5; *Dole*; and *Philips*, upheld on appeal to the Court of Justice in C-98/17 P *Koninklijke Philips NV v Commission*, EU:C:2018:774.

¹³² HSBC, paragraphs 125 to 161. The General Court held, in the context of that case, that *'information relating to mids is relevant for pricing in the EIRD sector'* (paragraph 139) and that *'an exchange between competitors on a factor that is relevant for pricing and is not publicly available is all the more sensitive in terms of competition where it takes place between traders acting as 'market makers', in the light of the importance of such traders on the EIRD market'*. It continued that *'market makers are generally and continuously active on the EIRD market and therefore enter into a larger number of transactions than other market participants. From the point of view of competition on the market, it is particularly fundamental that prices be determined independently'* (paragraph 145).

On appeal, the Court of Justice upheld the General Court's finding on the merits of characterising the exchanges on EIRD mids as a restriction by object (C-883/19 P *HSBC Holdings and Others v Commission*, EU:C:2023:11, paragraphs 193 to 206). It is instructive to note also that the Court of Justice held that, even if it were established that a reduction in uncertainty as to the level of the market 'mid' enables traders to offer prices which are more favourable to those customers, *'such an assertion is insufficient to give rise to reasonable doubt as to whether the exchanges in question are sufficiently harmful to competition'* (paragraphs 198 and 199) and that in that case *'the HSBC companies' argument that those exchanges made it possible to offer prices which were more favourable to customers of the banks concerned does not give rise to any reasonable doubt as to the harmful nature of those exchanges with regard to competition on the market concerned'* (paragraph 205).

See also the Opinion of Advocate General Emiliou delivered on 12 May 2022 in Case C-883/19 P *HSBC Holdings plc a.o v Commission* EU:C:2022:384 at paragraphs 164 to 170, in which Advocate General Emiliou provided his opinion to dismiss the appellants' plea alleging a pro-competitive nature of the exchange of information on mid-prices in relation to the EIRD market.

¹³³ *Balmoral Tanks Limited v CMA* [2017] CAT 23, at [41].

¹³⁴ *JJB Sports v Office of Fair Trading* [2004] CAT 17, at [873] (cited with approval by the Competition Appeal Tribunal in *Balmoral Tanks Limited v CMA* [2017] CAT 23, at [41]).

D.III Subjective intention

- 6.18 Intention is not a necessary factor in determining whether a concerted practice is restrictive of competition.¹³⁵ However, there is nothing prohibiting a competition authority from taking the parties' intentions into account.¹³⁶

D.IV Implementation

- 6.19 It is sufficient that a concerted practice is capable, having regard to the specific legal and economic context, of resulting in the prevention, restriction or distortion of competition.¹³⁷ The fact that a concerted practice is not implemented is not sufficient to preclude the existence of an infringement.¹³⁸ However, evidence of the parties' conduct demonstrating that the concerted practice was implemented may be taken into account.¹³⁹

E. The burden and standard of proof

- 6.20 The burden of proving an infringement of the Chapter I prohibition falls on the CMA.¹⁴⁰ The standard of proof is the civil standard, that is the balance of probabilities.¹⁴¹ The burden of proof does not preclude the CMA from relying, where appropriate, on inferences or evidential presumptions.¹⁴²
- 6.21 The courts have confirmed that '*the evidence must be assessed not in isolation, but as a whole*'¹⁴³ and that '*the evidence must be assessed in its entirety, taking into account all relevant circumstances of fact*'.¹⁴⁴

F. Single infringement

- 6.22 The caselaw has established several criteria as relevant for determining whether an infringement is single in nature, as distinct from constituting separate

¹³⁵ *Apex Asphalt and Paving Co Limited v OFT* [2005] CAT 4 at [250]. Nor is it relevant that the parties may not have considered the anti-competitive nature of their conduct (ibid. at [253]).

¹³⁶ *Cartes Bancaires*, paragraph 54 and the caselaw cited.

¹³⁷ *Philips*, paragraph 63 citing *T-380/10 Wabco Europe and Others v Commission*, EU:T:2013:449, paragraph 78 and the caselaw cited (upheld on appeal to the Court of Justice in *C-98/17 P Koninklijke Philips NV v Commission*, EU:C:2018:774).

¹³⁸ Joined cases T-25/95 etc *Cimenteries CBR v Commission*, EU:T:2000:77, paragraph 2995 (see also paragraph 1389); and T-141/89 *Tréfileurope v Commission*, EU:T:1995:62, paragraph 60.

¹³⁹ *Cityhook Limited v OFT* [2007] CAT 18 at [268]. Joined cases 96/82 etc. *NV IAZ v Commission*, EU:C:1983:310, paragraph 23.

¹⁴⁰ *Tesco Stores Limited and Others v Office of Fair Trading* [2012] CAT 31 ('Tesco') at [88].

¹⁴¹ *Ibid.*

¹⁴² *Napp Pharmaceutical Holdings Ltd and Subsidiaries v Director General of Fair Trading* [2002] CAT 1 at [110]; *JJB Sports plc and Allsports Limited v Office of Fair Trading* [2004] CAT 17 at [204]. See also *Argos Limited and Littlewoods Limited v Office of Fair Trading* [2004] CAT 24 at [164] to [166]; and, *Aalborg*, paragraph 57, which states '*[i]n most cases, the existence of an anticompetitive practice or agreement must be inferred from a number of coincidences and indicia which, taken together, may, in the absence of another plausible explanation, constitute evidence of an infringement of the competition rules*'.

¹⁴³ T-56/99 *Marlines v Commission*, EU:T:2003:333, paragraph 28. See also *C-48/69 ICI v Commission*, EU:C:1972:70, paragraph 68 cited in *Tesco*, at [46].

¹⁴⁴ T-141/94 *Thyssen Stahl v Commission*, EU:T:1999:48, paragraph 175.

infringements. These criteria include: the identical nature of the objective of the practice(s) at issue; the identical nature of the goods or services concerned; and the identical nature of the undertakings which participated in the infringement.¹⁴⁵ Whether the natural persons involved on behalf of those undertakings are identical is also a factor that may be taken into account.¹⁴⁶

- 6.23 Depending on the circumstances, a single infringement may be continuous or repeated. The way in which an infringement is committed determines whether it may be categorised as a single, continuous infringement or a single, repeated infringement.¹⁴⁷

G. Appreciable restriction of competition

- 6.24 A concerted practice will not infringe the Chapter I prohibition if its impact on competition is not appreciable.¹⁴⁸ A concerted practice that has an anti-competitive object constitutes an appreciable restriction on competition by its nature and independently of any concrete effect that it may have.¹⁴⁹

H. Effect on trade within the UK

- 6.25 The Competition Appeal Tribunal has held that the effect on trade test is a purely jurisdictional test to demarcate the boundary line between the application of EU competition law and national competition law, and that there is no requirement that the effect on trade within the UK should be appreciable.¹⁵⁰

I. Exemptions and exclusions

- 6.26 The Chapter I prohibition does not apply in any of the cases in which it is excluded by or as a result of Schedules 1 to 3 (section 3), or is exempt in accordance with sections 6, 9 or 10 of the Act.¹⁵¹

¹⁴⁵ *Campine*, paragraph 238 and the caselaw cited.

¹⁴⁶ *Campine*, paragraph 238 and the caselaw cited.

¹⁴⁷ *Campine* paragraph 269 and the caselaw cited. If conduct constituting a single infringement is interrupted, the infringement cannot be classified as continuous, but it may be classified as a single, repeated infringement provided a single objective is pursued both before and after an interruption. If the infringement is single and repeated, a penalty may not be imposed for the period of the interruption. (T-147/09 *Trelleborg v Commission*, paragraphs 88 and 89; *Campine*, paragraph 273 and the caselaw cited).

¹⁴⁸ Case 5/69, *Franz Völk v S.P.R.L. Ets J. Vervaecke*, EU:C:1969:35. See also *North Midland Construction plc v OFT* [2011] CAT 14 at [45] and [52ff] and C-226/11 *Expedia Inc. v Autorité de la concurrence and Others*, EU:C:2012:795 (*'Expedia'*), paragraph 16.

¹⁴⁹ *Expedia*, paragraph 37; and European Commission Notice on agreements of minor importance [2014] OJ C291/01, paragraphs 2 and 3. See also *Carewatch Care Services Limited v Focus Caring Services Limited and Others* [2014] EWHC 2313 (Ch), paragraph 149.

¹⁵⁰ *Aberdeen Journals v Director General of Fair Trading* [2003] CAT 11 at [459] and [460] and the caselaw cited. The Competition Appeal Tribunal considered this point also in *North Midland Construction plc v. OFT* [2011] CAT 14 at [48] to [51] and [62], but considered that it was not necessary to reach a conclusion.

¹⁵¹ Section 3 of the Act sets out the following exclusions: Schedule 1 covers mergers and concentrations; Schedule 2 covers competition scrutiny under other enactments; and Schedule 3 covers general exclusions. Section 6 of the Act

J. Attribution of liability

J.I Identification of the appropriate legal entity

6.27 For each Party which the CMA finds has infringed the Act, the CMA has first identified the legal entity directly involved in the Citi-DB Infringement. It has then determined whether liability for the Citi-DB Infringement should also be attributed to another legal entity forming part of the same undertaking, in which case each legal entity's liability will be joint and several.

J.II Direct personal liability

6.28 Liability for an infringement of the Chapter I prohibition rests with the legal person(s) responsible for the operation of the undertaking at the time of the infringement (the 'personal responsibility' principle).¹⁵²

J.III Indirect personal liability

6.29 A parent company may be held jointly and severally liable for an infringement committed by its subsidiary – without the parent's knowledge or involvement¹⁵³ – where, as a matter of economic reality,¹⁵⁴ it exercised decisive influence over its subsidiary during its ownership period.¹⁵⁵ In such circumstances, the parent company and its subsidiary form a single economic unit and therefore form a single undertaking.¹⁵⁶ This assessment turns not only on intervention in, or supervision of, the subsidiary's commercial conduct in the strict sense, but on the economic, organisational and legal links between the parent and subsidiary, which may be informal.¹⁵⁷

6.30 Where a parent company holds, whether directly or indirectly,¹⁵⁸ 100% (or nearly 100%)¹⁵⁹ of the shares or voting rights¹⁶⁰ in a subsidiary, then the parent company is able to exercise decisive influence over the subsidiary and there is a rebuttable

provides for block exemptions from the Chapter I prohibition. Section 9 sets out the cumulative criteria for an individual exemption. Section 10 of the Act provides for retained exemptions from the Chapter I prohibition.

¹⁵² T-6/89, *Enichem Anic SpA v Commission*, EU:T:1991:74, paragraphs 236-237.

¹⁵³ C-90/09 P *General Química SA v Commission*, EU:C:2011:21, paragraph 102. See also C-97/08 *Akzo Nobel v Commission*, EU:C:2009:536 ('Akzo') paragraphs 59 and 77.

¹⁵⁴ C-293/13 P *Del Monte v Commission*, EU:C:2015:416, paragraphs 75-78.

¹⁵⁵ *Akzo*, paragraph 60; C-179/12 P *Dow v Commission*, EU:C:2013:605; *Allergan Plc v CMA* [2023] CAT 56 at [172].

¹⁵⁶ *Akzo*, paragraph 59; *Sainsbury's Supermarkets Ltd v MasterCard* [2016] CAT 11, at [363]; *Allergan Plc v Competition and Markets Authority* [2023] CAT 56 at [163] to [165].

¹⁵⁷ C-440/11 *Commission v Stichting Administratiekantoer Portielje and Gosselin Group NV*, EU:C:2013:514, paragraphs 66 to 68; C-595/18 P *Goldman Sachs v Commission*, EU:C:2021:73, paragraphs 93-95.

¹⁵⁸ C-508/11 P *Eni Spa v Commission*, EU:C:2013:289, paragraph 48; C-595/18 P, *Goldman Sachs v Commission*, EU:C:2021:73, paragraphs 32-33.

¹⁵⁹ T-217/06 *Arkema France, Altuglas International SA, Altumax Europe SAS v Commission*, EU:T:2011:251, paragraph 53.

¹⁶⁰ T-419/14 *Goldman Sachs v Commission*, EU:T:2018:445, paragraphs 50 to 52 and 64, upheld in C-595/18P *Goldman Sachs v Commission*, EU:C:2021:73, paragraphs 35-36.

presumption in law that the parent did in fact exercise decisive influence over the commercial policy of the subsidiary.¹⁶¹

¹⁶¹ *Akzo* paragraphs 60 and 61, T-24/05 *Alliance One & Others v Commission*, EU:T:2010:453, paragraphs 126-130.

7. ASSESSMENT OF THE CITI-DB INFRINGEMENT

A. Summary

- 7.1 For the reasons set out in this Chapter, the CMA has found that in the Citi-DB Relevant Period, Citi and Deutsche Bank infringed the Chapter I prohibition by participating in a concerted practice which had as its object the restriction or distortion of competition within the UK.
- 7.2 Specifically, the CMA has found that Citi and Deutsche Bank participated in a single and repeated infringement on specific dates¹⁶² (referred to collectively as the '**Citi-DB Specific Dates**') in the Citi-DB Relevant Period in the form of a concerted practice which comprised the disclosure by one or both of Citi and Deutsche Bank to the other of pricing information (ie as applicable, the current mid-price; future trading prices and trading price parameters; bid and offer prices, bid and offer price parameters; and assessments of price, trading prices and bid prices) in Bloomberg chats in relation to (as applicable) the bidding for certain gilts in certain gilt auctions, the trading of certain gilts and gilt asset swaps and the offering of certain gilts in certain gilt buy-back auctions¹⁶³ (collectively the '**Citi-DB Communications**'), which, in the specific circumstances of each disclosure, involved the disclosure of commercially sensitive information (the '**Citi-DB Infringement**').¹⁶⁴
- 7.3 The objective of the concerted practice was to assist one or both of the Parties in formulating and executing aspects of their respective bidding, trading and offering strategies in relation to (as applicable) the bidding for certain gilts in the context of certain gilt auctions, the trading of certain gilts and gilt asset swaps and the offering of certain gilts in the context of certain gilt buy-back auctions.¹⁶⁵

B. Assessment of evidence

- 7.4 In its assessment of the evidence, the CMA has taken into account its historical and technical nature and has generally placed greater weight on the natural reading of the contemporaneous documentary evidence (namely the Bloomberg chats¹⁶⁶) in their proper context.

¹⁶² 18 July 2012, 31 July 2012, 9 August 2012, 16 August 2012, 4 September 2012, 5 September 2012, 2 October 2012, 3 October 2012, 23 October 2012, 24 October 2012, 8 January 2013 and 11 January 2013.

¹⁶³ See further paragraphs 7.9, 7.17 and 7.19 below.

¹⁶⁴ The CMA's findings in this Decision are made in respect of the conduct set out in this Chapter 7 in relation to the Citi-DB Infringement. The CMA has also indicated in **bold** at paragraphs 7.9, 7.17 and 7.19 and in Annex B the specific disclosures that it has found to comprise the infringing disclosures in the Citi-DB Infringement.

¹⁶⁵ See further paragraphs 7.28 to 7.30 below.

¹⁶⁶ The chats comprised messages sent in bilateral Bloomberg chatrooms (see Annex B). Such messages included technical, sector-specific jargon, abbreviations and shorthand. Discussions were often fast-paced (resulting in typographical errors and overlapping communications) and took place within the context of a range of available information (see Chapter 4), which the Key Individuals referenced on occasion in their communications.

7.5 In their respective interviews, the Key Individuals were able to explain the individual disclosures in the relevant Bloomberg chats put to them, including their relevant context, notwithstanding the passage of time since the Citi-DB Relevant Period and any lack of recall was mainly isolated to specific detailed points. At certain times and in relation to certain instances, the position taken by the Key Individuals was that the information disclosed was of minimal value. The CMA takes a different view.¹⁶⁷

C. Undertakings

7.6 The CMA has found that each of Citi and Deutsche Bank constituted an undertaking for the purposes of the Chapter I prohibition during the Citi-DB Relevant Period, since each of them was engaged in economic activity which included bidding for gilts in gilt auctions, trading gilts and gilt asset swaps and offering gilts in gilt buy-back auctions.¹⁶⁸ Each of Citi and Deutsche Bank continues to engage in economic activity.¹⁶⁹

D. The Citi-DB Conduct as a concerted practice

7.7 The CMA has found that the disclosures on the Citi-DB Specific Dates were made in the context of variously:

- (a) Gilt auctions conducted by the DMO: one or both of Citi and Deutsche Bank disclosed to the other commercially sensitive information in relation to the bidding for certain gilts in certain gilt auctions (**'Gilt Auction Conduct'**);
 - (b) Trading: one or both of Citi and Deutsche Bank disclosed to the other commercially sensitive information in relation to the trading of certain gilts and gilt asset swaps (**'Trading Conduct'**); and
 - (c) Gilt buy-back auctions conducted by the Bank of England: one or both of Citi and Deutsche Bank disclosed to the other commercially sensitive information in relation to the offering of certain gilts in certain gilt buy-back auctions (**'Gilt Buy-Back Auction Conduct'**),
- (collectively the **'Citi-DB Conduct'**).

¹⁶⁷ The CMA's view is based, in part, on the fact that such statements are internally inconsistent with other statements made by the Key Individual during the interview and/or contradicted by the contemporaneous evidence (see for example footnotes 174, 175, 179, 186, 198, 206 and 211).

¹⁶⁸ See paragraphs 7.9, 7.17 and 7.19 below.

¹⁶⁹ See paragraphs 3.2 to 3.4 and 3.8 to 3.9.

- 7.8 In reaching its finding that the Citi-DB Conduct constituted a concerted practice, the CMA has relied on the following evidence in the Citi-DB Relevant Period:
- (a) That the Parties were competitors in the bidding for gilts in gilt auctions, the trading of gilts and gilt asset swaps and the offering of gilts in gilt buy-back auctions in the Citi-DB Relevant Period (for example, see paragraphs 4.8, 4.13 and 4.18).¹⁷⁰
 - (b) That the disclosures of certain conduct of a competitor's pricing in the context of certain gilt auctions, the trading of certain gilts and gilt asset swaps and certain gilt buy-back auctions constituted commercially sensitive information (see paragraphs 7.10, 7.11, 7.15, 7.16, 7.17, 7.20 and 7.21 and as set out more fully in Annex B).
 - (c) That the Parties remained active on the Relevant Market in the Citi-DB Relevant Period and that there is no evidence that the Key Individuals expressed any reservation or objection to, or sought to publicly distance themselves from, the disclosures of commercially sensitive information in relation to (as applicable) the gilt auction in question, the trading of the gilts and gilt asset swaps in question and the buy-back auction in question (see paragraph 7.23 below).

D.I Gilt Auction Conduct

The content of the information disclosed

- 7.9 The Citi-DB Conduct as it related to Gilt Auction Conduct consisted of one or both of Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) disclosing to the other commercially sensitive information on its pricing (ie as applicable, bid prices, bid price parameters and assessment of bid prices) in the context of each of three specific gilt auctions, in each instance during the relevant gilt auction window. In summary, and as set out more fully at Annex B, the disclosures occurred in the following communications (the '**Citi-DB Gilt Auction Communications**')
- (a) In Bloomberg chat **Citi-DB, A-URN-000053** on 16 August 2012, during the window for the tap auction of a 4.5% 2034 gilt, some 40 minutes before the close of the gilt auction, Citi ([Citi Trader]) disclosed to Deutsche Bank ([DB Trader]) information on his **bid prices**, by saying that he would submit three bids in the gilt auction: the first for a volume of £20 million nominal ('20') at a price of '**16**', £20 million nominal ('20 more') at a price of '**08**' and £50 million

¹⁷⁰ The evidence shows that in the Citi-DB Relevant Period the Parties participated in the same gilt auctions (each of Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]) participated in the gilt auctions summarised in paragraph 7.9) and on occasion discussed the same or similar trades involving gilts and gilt asset swaps (as summarised in paragraph 7.17) and participated in the same gilt buy-back auctions (each of Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]) participated in the gilt buy-back auctions summarised in paragraph 7.19), in each case as set out more fully in Annex B).

nominal ('50') at a price of '**127.75**' (*'i think if it were now, i'd bid 16 for 20, 08 for 20 more and 127.75 for 50.'* at 08:50:39¹⁷¹). Deutsche Bank ([DB Trader]) then disclosed his **bid prices** by saying that he would bid similarly save that he would bid a higher price ('20'), than Citi ([Citi Trader]), for his first bid of £20 million nominal (*'i would be similar... maybe 20 for my first 20'* at 08:51:15). Some 20 minutes later, fewer than 20 minutes before the close of the gilt auction, Citi ([Citi Trader]) disclosed further information on his **bid price parameters** in that gilt auction. He stated that his three bids would be for: a volume of £20 million nominal ('20') at mid-price ('mids'), £20 million nominal ('20') at a bid price of 5 cents cheaper than mid-price ('**5 c back**'), and £50 million nominal ('50') at a particularly low bid price ('**somewhere in a black hole**'), which he later confirmed would be 60 cents cheaper than (ie back from) mid-price ('**20 on mids and 20 5 c back**', '**and 50 somewhere in a blackhole**', '**mate, i'm bidding them 60c back**' 09:12:56 to 09:13:54).

- (b) In Bloomberg chat **Citi-DB, A-URN-000057** on 5 September 2012, a few minutes before the close of the tap auction of a 4.5% 2042 gilt, Citi ([Citi Trader]) asked Deutsche Bank ([DB Trader]) for his assessment of the price a dealer would have to bid to be successful (ie to 'get') in the gilt auction ('**where do u reckon? 79?**' at 09:27:08 and '**if u wanna get?**' at 09:27:13). The CMA infers that, in doing so, Citi ([Citi Trader]) disclosed information on his **assessment of bid prices** in the gilt auction, ie that the specific price at which a Party should bid to be successful in the gilt auction was '**79**'. Deutsche Bank ([DB Trader]) responded by disclosing his **bid prices** ('**80**' and '**75**') for that gilt auction ('**yeah i'm bidding 80 and 75**' at 09:27:51).
- (c) In Bloomberg chat **Citi-DB, A-URN-000086** on 8 January 2013, some 20 minutes before the close of the tap auction of a 4.75% 2030 gilt that morning, both Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) noted their uncertainty about bid prices that would be successful in the gilt auction ('*I'm really not sure if this comes thru mids or way below*' at 10:10:40 and '*i have no idea*' at 10:10:50, respectively). Citi ([Citi Trader]) then disclosed his **bid price parameters** in relation to certain bid volumes: he stated that he would submit two bids each for a volume of £40 million nominal ('40mm') at prices of 1 to 2 cents a little above mid-price ('**small thru mid (1-2c)**') and 7 to 10 cents below mid-price ('**7c-10c back**') ('**yeah, i think i will bid for like 40mm small thru mid (1-2c) and then another 40mm 7c-10c back**' at 10:11:52).

The information disclosed was commercially sensitive information

- 7.10 In normal conditions of competition, each Party would have had to determine its pricing strategy independently of the other and in the context of uncertainty as to

¹⁷¹ Note that in relation to this chat, and certain other chats, timestamps are recorded in UTC, which was one hour behind UK time on that date (BST). Therefore, 08:50:39 should be read as 09:50:39. Full details are set out in Annex B.

the bid prices, bid price parameters and assessment of bid prices of other GEMMs (see paragraph 4.6). The information on its bid price, bid price parameters and assessment of bid prices was in each case confidential to the disclosing Party. It was not in the public domain or otherwise available to the recipient Party at the time it was disclosed.¹⁷² Although some information was available from a number of sources (as set out in paragraph 4.20), the CMA considers that this does not undermine its view that the information disclosed on pricing in the specific context of the Citi-DB Gilt Auction Communications was confidential.

7.11 Moreover, the information disclosed on pricing (ie bid prices, bid price parameters and assessment of bid prices) in the Citi-DB Gilt Auction Communications was strategic in nature, including in that it provided insight into specific aspects of the disclosing Party's pricing strategy for the particular gilt auction in which both Parties were participating and/or was capable of influencing specific aspects of the recipient Party's bidding strategies (including pricing) for the gilt auction in question. In reaching this conclusion, the CMA has taken into account the nature of the information disclosed, the content and context of the Citi-DB Gilt Auction Communications and, where relevant, evidence from the Parties, the Key Individuals and third parties, noting that:

- (a) The information disclosed in the Citi-DB Gilt Auction Communications by each Party on its pricing was specific to gilt auctions taking place on specific dates for specific gilts.^{173, 174}

¹⁷² See paragraph 4.6. See also B-URN-000501382, page 8; B-URN-000500865, paragraph 34.1; B-URN-000500841, page 28; and B-URN-000501198, page 2.

¹⁷³ As set out in further detail at paragraphs B.19 to B.23, B.29 to B.31 and B.57 to B.60 in Annex B, the CMA has relied on the timing of the disclosure and the context of the chat to conclude that these disclosures related to the gilt being auctioned that day. The CMA has also relied on the evidence of [DB Trader] (Deutsche Bank) and [Citi Trader] (Citi) (see paragraphs B.19 to B.23, B.29 to B.31 and B.57 to B.60 and related footnotes in Annex B).

¹⁷⁴ The CMA has considered the evidence of [Citi Trader] (Citi) in interview that disclosures ahead of the gilt auction were hypothetical (for example, B-URN-000502063, page 185). However, the CMA considers that the evidence shows that certain information disclosed in the relevant Citi-DB Gilt Auction Communications was strategically valuable. First, the natural meaning of the relevant contemporaneous Bloomberg chats shows that they were not hypothetical (for example, in Bloomberg chat **Citi-DB, A-URN-000086** on 8 January 2013, Citi ([Citi Trader]) disclosed that he would submit a particular bid ('...i think i will bid for like 40mm small thru mid (1-2c) and then another 40mm 7c-10c back')). Second, even disclosures which [Citi Trader] (Citi) said were hypothetical were capable of providing insight for the recipient Party (for example, in the context of disclosures in Bloomberg chat **Citi-DB, A-URN-000053** on 16 August 2012, which [Citi Trader] (Citi) had said in interview were hypothetical, his interview evidence showed he remained able to discern that Deutsche Bank ([DB Trader]) intended to submit a higher bid price than Citi ([Citi Trader]) intended (B-URN-000502063, pages 151 and 153); and in any event, the same Citi-DB Gilt Auction Communication then shows that Deutsche Bank ([DB Trader]) did in fact submit a higher price than Citi ([Citi Trader]) (**Citi-DB, A-URN-000053** dated 16 August 2012 at 10:19:31 to 10:20:02, see Annex B footnote 38)).

- (b) With regard to the bid price and bid price parameters,^{175, 176} a key principle of the gilt auction process was that the Parties bid blindly against one another and other GEMMs.¹⁷⁷
- (c) The disclosures were made during the gilt auction window, being at a point in time at which the Parties were able to submit, amend or withdraw their bids up to or very close to the close of that gilt auction.^{178, 179}
- (d) The disclosures provided a form of reassurance which was liable to give one or both of the Parties more confidence when formulating and executing their bidding strategies (including in relation to pricing) for the relevant gilt auction. For example, [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) both referred to disclosing information to the other as a '*sense check*',¹⁸⁰ and [Citi

¹⁷⁵ On occasion, the relevant Party disclosed their bid price parameters by reference to a benchmark, namely a mid-price. The mid-price was a pricing reference point in how that Party determined its bid price for a gilt auction (see paragraph 4.21). There was a disparity in the interview evidence as to whether bid-price parameters were being disclosed by reference to the DMO's composite mid-price, which could be seen by all GEMMs (for example, B-URN-000502069, page 99), or by reference to an internal mid-price. In the latter case, [Citi Trader] (Citi) said at times that the value of some of the information disclosed was limited given that the recipient Party would not have been able to infer information about the disclosing Party's bid price from the disclosure of a bid price parameter that referred to an internal mid-price specific to the disclosing Party which would not have been known by the recipient Party (for example, B-URN-000502063, pages 150 and 166). Nonetheless, the evidence shows that in the views of the two traders the pricing information disclosed remained strategic in nature. For example, first, regardless of the benchmark used, their evidence in interview was that the recipient Party received an insight into the disclosing Party's intended bids in the gilt auction (for example, in respect of Bloomberg chat **Citi-DB, A-URN-000086** on 8 January 2013, [DB Trader] (Deutsche Bank) said that he was able to discern information about the competitiveness of Citi ([Citi Trader])'s intended bids, notwithstanding that Citi ([Citi Trader]) disclosed his bid price parameters relative to a mid-price: (B-URN-000502069, page 236). Second, the relevant Party on occasion disclosed bid price parameters by reference to a benchmark alongside other disclosures of commercially sensitive information, such as disclosures of bid prices (ie in absolute terms and without reference to a benchmark). For example, in Bloomberg chat **Citi-DB, A-URN-000053** on 16 August 2012, the relevant Party disclosed not only their intended relative bid prices but also their intended bid prices without reference to a benchmark.

¹⁷⁶ In relation to the disclosing Party's bid price and bid price parameters, the evidence in interview from [DB Trader] (Deutsche Bank) shows that the recipient Party was able to infer information about the competitiveness of the disclosing Party's bid price from its disclosures, see for example B-URN-000502070, page 187. See also B-URN-000500865, paragraph 33.1.

¹⁷⁷ See paragraph 4.6.

¹⁷⁸ See DMO GEMM Guidebook, B-URN-000503294, paragraph 46; B-URN-000500865, paragraph 16.1; and B-URN-000500841, page 15.

¹⁷⁹ The CMA notes that the Key Individuals both said that they would amend their bids up until the close of the relevant gilt auction (B-URN-000502069, page 234; B-URN-000502208; and B-URN-000502063, page 91), and see also paragraph 4.6 above. However, the CMA's view is that the fact that a Party's bid(s) could change before the close of the gilt auction in response to changes in trading conditions does not negate the strategic nature of the disclosed information, nor the strategic value of the information during the gilt auction window. The fact of the disclosures being made shows that, at the time of a disclosure, the disclosing Party was formulating its bidding strategy to apply in the related gilt auction. By virtue of the information disclosed during a gilt auction on the disclosing Party's pricing, the recipient Party would have obtained an insight into the disclosing Party's pricing strategies based on the trading conditions at the time and could take account of subsequent material changes in trading conditions prior to the gilt auction close. The Citi-DB Gilt Auction Communications took place on the same morning as the related gilt auction, at a time when the Parties would have been finalising their gilt auction strategies (see B-URN-000502063, page 141).

¹⁸⁰ See for example Bloomberg chat **Citi-DB, A-URN-000057** on 5 September 2012, in respect of which [Citi Trader] (Citi) said in interview that he asked a question to Deutsche Bank ([DB Trader]) to get a '*sense check*' as he was '*not entirely sure*' regarding the gilt auction (B-URN-000502063, page 158). A further example is Bloomberg chat **Citi-DB, A-URN-000086**, on 8 January 2013, in respect of which [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) each said in interview that the information was disclosed in the context of uncertainty about how the gilt auction would go (B-URN-000502063, page 185 and B-URN-000502069, page 234). [DB Trader] (Deutsche Bank) said that the reason he participated in '*market discussions*' was to '*test and sense check my views against those of other market participants*', which would have included Citi ([Citi Trader]) (B-URN-000502208, page 1).

Trader] (Citi) described [DB Trader] (Deutsche Bank) as being a good 'sounding board'.¹⁸¹

Conclusion – commercially sensitive information disclosed in relation to Gilt Auction Conduct

- 7.12 In view of the above, in relation to the Gilt Auction Conduct, the CMA has concluded that the information disclosed by each Party in the Citi-DB Gilt Auction Communications on its pricing (ie as applicable, bid prices, bid price parameters and assessment of bid prices) in relation to certain gilts was commercially sensitive information, the disclosure of which removed, or at least reduced, uncertainty as to specific aspects of the disclosing Party's pricing strategy in relation to the gilts in question and/or was capable of influencing specific aspects of the recipient Party's bidding strategies (including pricing) in relation to the gilts in question.

D.II Trading Conduct

The content of the information disclosed

- 7.13 The Citi-DB Conduct as it related to Trading Conduct consisted of one or both of Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) disclosing to the other commercially sensitive information on the pricing of gilts and gilt asset swaps, specifically (as applicable) the future trading price, trading price parameters, current mid-price and assessments of the price or trading price. That information was both confidential and strategic in nature.
- 7.14 As set out in more detail in paragraph 7.17 below and in Annex B, the Trading Conduct consisted of the following communications: **Citi-DB, A-URN-000047** on 18 July 2012, **Citi-DB, A-URN-000051** on 9 August 2012, **Citi-DB, A-URN-000067** on 2 October 2012, **Citi-DB, A-URN-000068** on 3 October 2012, and **Citi-DB, A-URN-000089** on 11 January 2013 (the '**Citi-DB Trading Communications**').

The information disclosed was commercially sensitive information

- 7.15 The information disclosed in the Citi-DB Trading Communications on, as applicable, the pricing of gilts and gilt asset swaps, specifically the future trading price, trading price parameters, current mid-price and assessments of the price or trading price, was in each case confidential to the disclosing Party. It was not in

¹⁸¹ For example, in relation to Bloomberg chat **Citi-DB, A-URN-000057** on 5 September 2012, in discussing why he had asked Deutsche Bank ([DB Trader]) about bid prices in the gilt auction taking place that morning, [Citi Trader] (Citi) said he had heard from clients that Deutsche Bank ([DB Trader]) was '*quite good at his job, that he was er sensible, he spoke sense when they spoke with him, that he was someone who they regarded highly*' and so '*it seemed like he's a good sounding board because people seem to [...] hold his knowledge of the market in high regard*' (B-URN-000502063, pages 161 and 162).

the public domain or otherwise ordinarily available to the recipient Party at the time it was disclosed. Although some information was available from a number of sources (as set out in paragraph 4.20), the CMA considers that this does not undermine its view that the information disclosed on pricing, in the specific context of the Citi-DB Trading Communications, was confidential. In normal conditions of competition, each Party would have had to determine its pricing strategy independently of the other and in the context of uncertainty as to the pricing strategy and intentions of others.¹⁸²

- 7.16 Moreover, the information disclosed by the disclosing Party in the Citi-DB Trading Communications on pricing (ie as applicable, the future trading price, trading price parameters, current mid-price and assessments of the price or trading price) was strategic in nature, including in that it provided insight into specific aspects of the disclosing Party's pricing strategy for (as applicable) certain gilts and gilt asset swaps and/or was capable of influencing specific aspects of the recipient Party's trading strategies (including pricing) in relation to (as applicable) certain gilts and gilt asset swaps. In reaching this conclusion, the CMA has taken into account the nature of the information disclosed, the content and context of the Citi-DB Trading Communications and, where relevant, evidence from the Parties and the Key Individuals, noting that:
- (a) The information disclosed in the Citi-DB Trading Communications (as defined below) by the disclosing Party on pricing was specific, including that it related to (as applicable) certain gilts¹⁸³ and gilt asset swaps.¹⁸⁴
 - (b) The disclosures of future trading pricing provided the recipient Party with an insight into the disclosing Party's future pricing strategy for (as applicable) the relevant gilts and gilt asset swaps and were therefore liable to assist the recipient Party to maintain or adjust its pricing for the gilts and gilt asset swaps in question.

¹⁸² See paragraphs 4.13, 4.19 and 4.22 to 4.25 above. See also B-URN-000500865, paragraph 36.1; B-URN-000500841, page 29. In relation to various types of information, [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) said in interview at times that the information disclosed was 'internal' or not publicly available. See for example in relation to mid-prices in the context of Bloomberg chat **Citi-DB, A-URN-000068** on 3 October 2012, B-URN-000502064, page 19; and B-URN-000502069, page 30). In relation to 'spline' data, [Citi Trader] (Citi)'s evidence in interview was that 'spline' analysis was 'not publicly available' (B-URN-000502064, pages 76 to 77).

¹⁸³ Including gilt switches and gilt basis.

¹⁸⁴ The evidence shows that the information was expressed in such a way that the recipient Party would have understood that the information disclosed related to the disclosing Party's pricing in relation to (as applicable) those gilts and gilt asset swaps. As set out in Annex B, for all Citi-DB Trading Communications, [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) each confirmed in interview the information they disclosed related to gilts (including gilt basis in the context of **Citi-DB, A-URN-000068** on 3 October 2012) and/or gilt asset swaps. For all but one of the Citi-DB Trading Communications, [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) confirmed in interview that they were referring to the same gilts and/or gilt asset swaps. For Bloomberg chat **Citi-DB, A-URN-000047** on 18 July 2012, although [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) gave different accounts in their interviews of the specific gilts and/or gilt asset swaps they had been referring to in the Bloomberg chat, the CMA considers the evidence of [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) is consistent with the conclusion that they would have understood, at the time of the various disclosures, to which gilt and/or gilt asset swap they were referring (see B-URN-000502063, pages 130 and 131; and B-URN-000502069, page 229).

- (c) The disclosures were made during the trading day (typically between 07:30 and 17:00¹⁸⁵) when the Parties were engaged in ongoing trading and each would have been considering its trading strategies, and in circumstances in which a Party could engage in or refrain from trading very quickly, if not immediately, upon receipt of the disclosed information.¹⁸⁶
- (d) The disclosures provided a form of reassurance which was liable to give one or both of the Parties more confidence when formulating and executing their trading strategies (including in relation to pricing). For example, [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) both referred to disclosing information to the other as a '*sense check*'¹⁸⁷ and [DB Trader] (Deutsche Bank) referred to disclosures of mid-prices as a '*sanity check*'.¹⁸⁸

7.17 In summary, and as set out more fully at Annex B, the Citi-DB Trading Communications were all confidential and strategic in nature:

- (a) In Bloomberg chat **Citi-DB, A-URN-000047** on 18 July 2012:
 - (i) Citi ([Citi Trader]) disclosed to Deutsche Bank ([DB Trader]) his **future trading price** for a gilt switch or a gilt asset swap,¹⁸⁹ by stating that he had recently traded the product at prices of '39.5' and '40.5' and intended to trade the product at a price of '**42**' ('*i've let some go yesterday at 39.5 and some more today at 40.5. Targeting 42 for my last bit.*' at 14:49:54).
 - (ii) Deutsche Bank ([DB Trader]) then disclosed his **future trading price** for the same product, disclosing that he intended to trade at a price of '**45**', but that he also may sell before it reached that price ('*yeah my target is 45 before today*', '*bought at 30*', '*might let them before then though*' at 14:50:09 to 14:50:32).

¹⁸⁵ See paragraph 4.11.

¹⁸⁶ The CMA has considered the evidence of [DB Trader] (Deutsche Bank) in relation to disclosures of mid-prices where he stated in his letter to the CMA following his interviews with the CMA that mid-prices were '*essentially historical*' at the point of disclosure, or very shortly thereafter, and therefore of limited value (B-URN-000502208, page 2). However, the CMA's view is that the information disclosed on mid-prices was current information which had strategic value. A natural reading of the relevant disclosure shows that the information on mid-prices was current information (for example, the disclosing Party referred to its mid-price in the present tense (eg '*have*'). Moreover, the evidence shows the relevant Party, for example, disclosed and received information (including on mid-prices) in the context of determining their trading strategies and in the context of the Party seeking assistance through a '*sense check*' or '*sanity check*' on their conduct: see paragraph 7.16(d).

¹⁸⁷ In relation to Bloomberg chat **Citi-DB, A-URN-000068** on 3 October 2012, [Citi Trader] (Citi)'s evidence in interview was that he had asked for Deutsche Bank ([DB Trader])'s views on a gilt basis trade as a '*sense-check*' (B-URN-000502064, page 18). [DB Trader] (Deutsche Bank) said that the reason he participated in '*market discussions*' was to '*test and sense check my views against those of other market participants*', which would have included Citi ([Citi Trader]) (B-URN-000502208, page 1).

¹⁸⁸ In his letter to the CMA following his interviews, [DB Trader] stated that '*sharing mids was a form of sanity check as much as anything else*' (B-URN-000502208).

¹⁸⁹ The CMA infers that, in the communication at this timestamp and the timestamps that followed, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) were referring to the same financial product, which was either a gilt switch or a gilt asset swap. The CMA's inference is consistent with the evidence of [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) in interview (see Annex B).

- (iii) The future trading price was strategic in nature as it was the executable price at which a Party intended to trade a gilt or a gilt asset swap, and was therefore a key parameter on which it competed for the gilt or gilt asset swap trade in question (see paragraph 4.13).
- (b) In Bloomberg chat **Citi-DB, A-URN-000051** on 9 August 2012:
- (i) Deutsche Bank ([DB Trader]) disclosed his **future trading price** for a gilt switch consisting of 2032 and 2034 gilts, by saying that he would 'love' to trade that gilt switch at a price of '**15.5**' (***woudl [would] love to put 32/34s on at 15.5***) at 09:58:02).
 - (ii) The future trading price was strategic in nature as it was the executable price at which a Party intended to trade a gilt or a gilt asset swap, and was therefore a key parameter on which it competed for the gilt or gilt asset swap trade in question (see paragraph 4.13).
 - (iii) Earlier in the same Bloomberg chat, between 09:52:59 and 09:57:54, Deutsche Bank ([DB Trader]) disclosed his **assessment of price** for gilts related to that gilt switch, ie the 2032 and 2034 gilts, as well as other gilts, including by reference to the relative value of certain of those gilts as calculated by his internal pricing analysis tool (his '*spline*'). Deutsche Bank ([DB Trader]) disclosed that he had assessed: 2030 and 2032 gilts to be expensive, ie '*rich*'; 2039, 2040, 2049 and 2052 gilts to be '*cheap*'; and there to be a pricing mismatch between the gilt switch consisting of 2032 and 2042 gilts ('32/42') on the one hand and the gilt switch consisting of 2022 and 2042 gilts ('22/42') on the other. Deutsche Bank ([DB Trader]) also disclosed that he expected there to be demand ('*go bid*') for those gilts in the coming week ('***on my spline 30s are 4.9bps rich***', '***32s are 3.45bps rich***', '***39/40/49/52s are the cheap ones***', '***i just think 32/42 is veyr [very] wrong with 22/42 here***', '***i susspect the 34s will go bid into next week***' at 09:52:59 to 09:57:54).
 - (iv) The assessment of price was strategic in nature given it was closely related to at least the Party's trading price for those and related gilts. The CMA infers that, in disclosing his assessment of price in relation to various gilts including 2032 and 2034 gilts shortly before disclosing his future trading price for the gilt switch consisting of 2032 and 2034 gilts, Deutsche Bank ([DB Trader]) was disclosing his reasons for that future trading price.¹⁹⁰ In interview, [DB Trader] (Deutsche Bank) said that

¹⁹⁰ The CMA's inference is consistent with [DB Trader] (Deutsche Bank)'s evidence in interview, in which he noted the relationship between his views on pricing levels for 2032 and 2034 gilts and his statement that he would '*love to put 32s 34s on at 15.5*' (B-URN-000502069, pages 136 to 137).

dealers would have different '*splines*' (ie an internal pricing tool),¹⁹¹ and he and [Citi Trader] (Citi) each said that output from a dealer's 'spline' would be used as an input to trading strategy.¹⁹²

(c) In Bloomberg chat **Citi-DB, A-URN-000067** on 2 October 2012:

- (i) Deutsche Bank ([DB Trader]) disclosed his **future trading price** for 2022 gilts, saying that, despite their price movement ahead of the upcoming gilt tap auction of 2022 gilts, he was not selling 2022 gilts and that he would start selling 2022 gilts at a trading price of '**17.75**' ('*i havent sold any yet*', '**17.75 i think i will strat [start]**' at 08:28:09 and 08:28:22).
- (ii) The future trading price was strategic in nature as it was the executable price at which a Party intended to trade a gilt or a gilt asset swap, and was therefore a key parameter on which it competed for the gilt or gilt asset swap in question (see paragraph 4.13).¹⁹³

(d) In Bloomberg chat **Citi-DB, A-URN-000068** on 3 October 2012:

- (i) Deutsche Bank ([DB Trader]) disclosed to Citi ([Citi Trader]) his **current mid-price ('107.5')** for gilt basis ('*i have a 107.5 mid*' at 15:23:34). In reaction, Citi ([Citi Trader]) then stated the mid-price he had had when he undertook a trade that he had previously mentioned ('*i was marking at 107.4*' at 15:23:54). [Citi Trader] (Citi)'s evidence in interview was that Citi ([Citi Trader]) was referring to his mid-price '*at the time*', that is, at the time of the trade he had previously mentioned.¹⁹⁴

¹⁹¹ [DB Trader] (Deutsche Bank)'s evidence in interview was that there were '*lots of different ways*' in developing the 'spline' and dealers' splines would '*[n]ot necessarily*' produce the same result (B-URN-000502069, pages 129 and 130). In addition, [Citi Trader] (Citi)'s evidence in interview was that 'spline' analysis was '*not publicly available so you generally get to build your own*' and separately '*i think each bank's spline would not be public*' (B-URN-000502064, pages 76 and 77).

¹⁹² [DB Trader] (Deutsche Bank)'s evidence in interview was that '*spline*' referred to a '*yield curve*' model which was used to compare gilt yields and separately that '*It's used -- it can be used for risk -- for assessing relative value. And then relative value is used for assessing trading strategy*' and as '*an input into a trading strategy*' (B-URN-000502069, pages 128 and 133). [Citi Trader] (Citi) described a 'spline' as a '*methodology [...] through the yield curve to determine what's cheap and what's rich*' (B-URN-000502064, page 74).

¹⁹³ The recipient Party would also have been in a better position to determine the point in time at which the disclosing Party was likely to trade, as the recipient Party would have been able to refer to prices such as those observable via brokers and composite mid-prices. [Citi Trader] (Citi) said in interview in relation to this Bloomberg chat that he would '*probably*' have been able to see current prices for that gilt switch via a broker platform ie on '*a broker's screen*' (B-URN-000502063, page 168).

¹⁹⁴ [Citi Trader] (Citi) said in interview in relation to this communication in reference to his mid-price that: '*I saw mine being at 107.40 at the time*' and that his and Deutsche Bank ([DB Trader])'s mid-prices were '*internal*' (B-URN-000502064, page 19). [DB Trader] (Deutsche Bank)'s evidence in interview in relation to this communication was that Citi ([Citi Trader]) was '*just giving me his internal mid*' (B-URN-000502069, page 30).

- (ii) In light of the evidence set out at Chapter 4,¹⁹⁵ the CMA has found that a Party's current mid-price was strategic in nature as it was a pricing reference point in how a Party determined its trading price.
 - (iii) Earlier in the same Bloomberg chat, Deutsche Bank ([DB Trader]) had disclosed his **assessment of the trading price** to adopt for gilt basis in light of his assessment of demand for gilt basis, by disclosing the trading price ('**108.5**') at which he would offer to trade gilt basis ('**in 200m 22s i would offer at 108.5 or something like that**' at 15:21:43).
 - (iv) The assessment of the trading price was strategic in nature as it encompassed Deutsche Bank ([DB Trader])'s thinking on the price at which to trade a specific gilt or gilt asset swap given the prevailing or anticipated trading conditions. In particular, it encompassed Deutsche Bank ([DB Trader])'s assessment given trading conditions of, variously, likely demand and supply of the relevant products, likely risk exposure from a particular trading price, and the likely reaction of a counterparty, each of which was closely related to the disclosing Party's own trading prices and other aspects of its trading strategies (see paragraph 4.13).¹⁹⁶ The recipient Party received the disclosing Party's assessment of the trading price for specific gilts in a context where the recipient Party was active in trading and on occasion was actively considering the pricing strategy to adopt for the specific product.
- (e) In Bloomberg chat **Citi-DB, A-URN-000089** on 11 January 2013:
- (i) Citi ([Citi Trader]) disclosed his **trading price parameters** for quotes to a named counterparty: Citi ([Citi Trader]) disclosed that whenever his client, [counterparty], requested a trading price from him he would automatically quote, ie '*autoquote*',¹⁹⁷ [counterparty] a trading price 0.1 cents below or above mid-price, depending on whether he was offering to buy or sell ('***I'm autoquoting [counterparty] in up to 50mm 4'22 0.1c thru mid.***' at 11:33:10). Deutsche Bank ([DB Trader]) disclosed his **trading price parameters** for the same named counterparty by disclosing that he would offer to trade with [counterparty] at a price of 1 cent from mid-price, although he had not been successful in his

¹⁹⁵ [Citi Trader] (Citi) said in interview that his mid-price '*would be [his] reference point if someone asked you to buy or sell something*' (B-URN-000502063, page 58). [DB Trader] (Deutsche Bank)'s evidence is consistent with the value of mid-prices as a pricing reference point in enabling him to explain and reconcile trading activity with his own pricing strategy (B-URN-000502208).

¹⁹⁶ [Citi Trader] (Citi)'s evidence in interview in relation to Bloomberg chat **Citi-DB, A-URN-000068** on 3 October 2012 was that in that context such disclosures provided insight to Deutsche Bank ([DB Trader])'s assessment of the appropriate trading price (B-URN-000502064, page 23).

¹⁹⁷ See Annex B, paragraph B.63 in relation to the interview evidence of [DB Trader] (Deutsche Bank) that '*I see no reason why it's not – he's not suggested to me that all – he's going to stop doing it*' (B-URN-000502069, page 159).

previous attempts to do so (*'i quote him 1c fom [from] mid' 'miss them everytime'* at 11:33:32 and 11:33:45).

- (ii) The disclosure of trading price parameters was strategic in nature as the trading price was the executable price at which a Party traded a gilt or gilt asset swap, and was therefore a key parameter on which it competed for the gilt or gilt asset swap trade in question (see paragraph 4.13).¹⁹⁸

Conclusion – commercially sensitive information disclosed in relation to Trading Conduct

- 7.18 In view of the above, in relation to the Trading Conduct, the CMA has concluded that the information disclosed by each Party in the Citi-DB Trading Communications on its pricing (ie as applicable, future trading price, trading price parameters, current mid-price and assessments of the price or trading price) in relation to certain gilts and gilt asset swaps (as applicable) was commercially sensitive information, the disclosure of which removed, or at least reduced, uncertainty as to specific aspects of the disclosing Party's pricing strategies in relation to the gilts and gilt asset swaps in question and/or was capable of influencing specific aspects of the recipient Party's trading strategies (including pricing strategies) in relation to the gilts and gilt asset swaps in question.

D.III Gilt Buy-Back Auction Conduct

The content of the information disclosed

- 7.19 The Citi-DB Conduct as it related to the Gilt Buy-Back Auction Conduct consisted of one or both of Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) disclosing to the other commercially sensitive information on (as applicable) its offer price and the parameters of its offer price in the context of each of six specific gilt buy-back auctions, in advance of and during the relevant gilt-buy-back auction windows. In summary, and as set out more fully in Annex B, the disclosures occurred in the following communications (the '**Citi-DB Gilt Buy-Back Auction Communications**')
- (a) In Bloomberg chat **Citi-DB, A-URN-000050** on 31 July 2012: some 50 minutes before the gilt buy-back auction closed, Deutsche Bank ([DB Trader]), having stated his offer volume, then stated his offer gilt and **offer**

¹⁹⁸ The CMA has considered the evidence of [Citi Trader] (Citi) in interview that other market participants would have known his ongoing price agreed with [counterparty] because '*it was common knowledge*' as [counterparty] '*made this demand of all GEMMs*' (B-URN-000502063, page 190). However, the evidence does not show that the prices at which [counterparty] generally, or at which Citi ([Citi Trader]) specifically, would trade were common knowledge. It also shows that dealers competed for trades with [counterparty] notwithstanding any demands it made. For example, when asked in the context of this chat whether a client ([counterparty] or otherwise) had ever asked him to quote the same price on an ongoing basis, [DB Trader] (Deutsche Bank)'s evidence was that that had not happened (B-URN-000502070, page 332).

price parameters for the gilt buy-back auction: he stated that he intended to offer a volume of £50 million nominal ('50m') of 2052 gilts ('52s') at mid-price ('mids') or higher, depending on the price movement of 'longs' ('will sell 50m 52s today', 'mids', '**depending on where longs are**', '**if longs cheapen up more tempted to sell high**' at 12:56:07 to 13:00:56). Around the same time, Citi ([Citi Trader]) disclosed his **offer price parameters**, stating that he was contemplating offering £25 million nominal ('25mm') of either the same gilts, ie the 2052 gilts ('25mm 52s'), or 2049 gilts ('49s') and that he 'may' do so at a price of 5 cents above mid-price ('...i may just sell 25mm 52s myself', 'or 49s', 'maybe keep the 52s', '**i may put something in 5 cents up...though that is just noise.**' at 12:57:23 to 13:01:07).

- (b) In Bloomberg chat **Citi-DB, A-URN-000056** on 4 September 2012, during the gilt buy-back auction that afternoon, Citi ([Citi Trader]) disclosed his **offer price parameters** and his reasons for his offering strategy, stating that he would 'probably' offer a volume of £20 million nominal ('20mm') at an offer price just below mid-price ('**small through**') and another £60 million nominal ('60mm') at mid-price ('**at mkt**') in preparation for the gilt auction the following day ('**i'll [i'll] probably offer 20mm small through and another 60mm at mkt**', 'just setting up for tomorrow' at 13:16:05 to 13:16:13).
- (c) In Bloomberg chat **Citi-DB, A-URN-000067** on 2 October 2012, during the gilt buy-back auction that afternoon, in the final minute of the gilt buy-back auction, Deutsche Bank ([DB Trader]) disclosed his **offer price parameters**, stating that he intended to offer to sell gilts in the gilt buy-back auction at one to four basis points above (ie 'up' from) mid-price ('**i am offering 1-4bps up**' at 13:44:10). Around the same time, Citi ([Citi Trader]) disclosed his **offer price parameters** by stating that he would offer to sell a volume of £5 million nominal ('5mm') at mid-price ('mids'), and 'upto' £50 million nominal ('50mm') at a price of 'about' 70 cents above (ie 'up' from) mid-price ('**i'm offering 5mm at mids and then upto 50mm about 70 cents up**' at 13:44:42).
- (d) In Bloomberg chat **Citi-DB, A-URN-000068** on 3 October 2012, during the gilt buy-back auction that afternoon:
 - (i) Citi ([Citi Trader]) disclosed information about his **offer price parameters** and his offer gilt, disclosing that he was considering offering 3.75% 2021 gilts at an offer price of 10 to 12 cents above mid-price and asked Deutsche Bank ([DB Trader]) his views on that ('**what do we think? offer some 3t21 12c up?**' at 13:35:13).
 - (ii) In response, Deutsche Bank ([DB Trader]) disclosed his **offer price parameters** for the gilt buy-back auction, ie 5, 10, 15 and 20 cents

above (ie 'up' from) mid-price (*'i'm offering 5/10/15/20 up'*, 'can live with going short here' at 13:35:26 and 13:35:45).¹⁹⁹

- (iii) Citi ([Citi Trader]) then disclosed further information about his own **offer price parameters**, stating that, although he was not sure whether it was better to have a long or short trading position in relation to gilts, he intended to offer 3.75% 2021 gilts in the gilt buy-back auction at prices 10 to 12 cents above mid-price (*'10-12 c up'*), and he would then assess how the market would respond (*'i'm still unsure of whether to be long or short, but i'll offer some 10-12 c up and see how mkt trades'* at 13:36:17).
- (e) In Bloomberg chat **Citi-DB, A-URN-000078**, on 23 October 2012, in the final minute of the gilt buy-back auction, Citi ([Citi Trader]) disclosed to Deutsche Bank ([DB Trader]) his **offer price** and offer gilts for the gilt buy-back auction, stating that he was offering to sell 2042 gilts ('42s') in the gilt buy-back auction at an offer price of '**20**' (*'i'm offering 42s @ 20'* at 13:44:41).
- (f) In Bloomberg chat **Citi-DB, A-URN-000079** on 24 October 2012, during the gilt buy-back auction window:
 - (i) In response to Deutsche Bank ([DB Trader])'s question about how the gilt buy-back auction would go (*'where this one go?'*), Citi ([Citi Trader]) disclosed his offer gilts and **offer price parameters** in that gilt buy-back auction, stating that he was offering some 2022 gilts ('22s') at an offer price of 8 cents (**'8c'**) above (ie 'up' from) mid-price (*'i'm offering some 22s about 8c up'* at 13:30:40).
 - (ii) Deutsche Bank ([DB Trader]) then disclosed his **offer price parameters**, stating that he intended to offer to sell gilts in the gilt buy-back auction at an offer price of '**10**' or '**maybe 05**' cents above the gilt future price, which was publicly available²⁰⁰ (*'yeah i am offering off 10 in gilt', 'maybe 05'* at 13:31:32 to 13:31:39).

The information disclosed was commercially sensitive information

- 7.20 The information on offer prices and offer price parameters was in each case confidential to the disclosing Party.²⁰¹ It was not in the public domain or otherwise available to the recipient Party at the time it was disclosed.²⁰² Although the Parties

¹⁹⁹ In the context of this chat, [Citi Trader] (Citi)'s evidence in interview was that he was getting a 'sense check' to 'see the 12 cents above the market is the right sort of level [ie price] for 3ts of 21', ie 3.75% 2021 gilts (B-URN-000502064, pages 6 and 8 to 9).

²⁰⁰ See Annex B, paragraph B.55 and footnote 94.

²⁰¹ [DB Trader] (Deutsche Bank) confirmed in interview that each participant's offer prices in a gilt buy-back auction were confidential (B-URN-000502068, pages 130 and 131).

²⁰² See paragraph 4.16.

had access to certain information,²⁰³ the Parties would not have had access to another participant's offer price or the parameters of another participant's offer price.²⁰⁴ In normal conditions of competition, each Party would have had to determine its pricing strategy independently of the other and in the context of uncertainty as to the offer prices and offer price parameters of others (see paragraph 4.16).

7.21 Moreover, the information disclosed by the disclosing Party on the offer price and offer price parameters in the Citi-DB Gilt Buy-Back Auction Communications was strategic in nature, including in that it provided insight into specific aspects of the disclosing Party's pricing strategy for the gilt buy-back auction in question in which both Parties were participating and/or was capable of influencing specific aspects of the recipient Party's offering strategies (including pricing) for the gilt buy-back auction in question. In reaching this conclusion, the CMA has taken into account the nature of the information disclosed, the content and context of the Citi-DB Gilt Buy-Back Auction Communications and, where relevant, evidence from the Parties, the Key Individuals and third parties, noting that:

- (a) As the Parties competed in a gilt buy-back auction by submitting confidential offers consisting of the offer price (and offer volume and the offer gilt),²⁰⁵ information regarding the disclosing Party's offer price and offer price parameters²⁰⁶ was strategic in nature and provided an insight to the recipient Party on a key aspect on which the disclosing Party was competing in a specific gilt buy-back auction.²⁰⁷

²⁰³ See paragraph 4.20. Examples of information to which the Parties would have had access include some information from the DMO, including composite and end-of-day mid-prices, and the Bank of England, including the results of gilt buy-back auctions.

²⁰⁴ See paragraph 4.16. Since each Party's offer price was confidential (see paragraph 4.16) and each Party's mid-price was confidential (see paragraphs 4.21 and 4.22), the CMA infers that the offer price parameter (being the difference between a Party's mid-price and its offer price) was also confidential.

²⁰⁵ See paragraph 4.16.

²⁰⁶ On occasion, the Parties disclosed their offer price parameters by reference to a benchmark, namely a mid-price. In interview, [Citi Trader] (Citi) said at times that in such cases both he and Deutsche Bank ([DB Trader]) were referring in that context to their respective internal mid-prices, and that he would not have known Deutsche Bank ([DB Trader])'s mid-price, whereas [DB Trader] (Deutsche Bank) said that he and Citi ([Citi Trader]) were referring to the DMO's composite mid-price, which could be seen by all GEMMs. Nonetheless, the evidence shows that the pricing information disclosed remained strategic in nature. For example, both Parties disclosed their offer price parameters by reference to mid-price and frequently sought the other's opinion on those price parameters. For example, in Bloomberg chat **Citi-DB, A-URN-000068** on 3 October 2012, Citi ([Citi Trader]) asked Deutsche Bank ([DB Trader]) for his view on whether an offer price of 12 cents above mid-price was an appropriate offer price. In interview [Citi Trader] (Citi) said that, even though Deutsche Bank ([DB Trader]) should not have known Citi ([Citi Trader])'s internal mid-price, Deutsche Bank ([DB Trader])'s '*opinion*' on whether that offer price was '*sensible*' would still have been relevant to Citi ([Citi Trader]) (B-URN-000502064, page 9). [Citi Trader] (Citi) also said in interview that he could still use that opinion as a '*sense check*' (B-URN-000502064, page 6).

²⁰⁷ On occasion, [DB Trader] (Deutsche Bank) described his disclosures of his pricing information as his '*strategy*', for example, in relation to Bloomberg chat **Citi-DB, A-URN-000068** on 3 October 2012 (B-URN-000502069, page 8).

- (b) The information disclosed by each Party on its offer price and offer price parameters was specific to the gilt buy-back auction in question.²⁰⁸
- (c) In all but one²⁰⁹ of the Citi-DB Gilt Buy-Back Auction Communications, the disclosure was made during the gilt buy-back auction window, being at a point in time at which the Parties were able to submit, amend or withdraw their offers up to or very close to the close of that gilt buy-back auction (see paragraph 4.15).^{210, 211}
- (d) The disclosures provided a form of reassurance which was liable to give one or both of the Parties more confidence when formulating and executing their offering strategies (including in relation to pricing) for the relevant gilt buy-back auction. For example, [Citi Trader] (Citi) and [DB Trader] (Deutsche

²⁰⁸ The information was expressed in such a way that the recipient Party would have understood that the information disclosed related to the disclosing Party's pricing in relation to the gilt buy-back auction in question. Where the information disclosed in the Citi-DB Gilt Buy-Back Auction Communications did not identify the specific offer gilt the disclosing Party was offering, or intended to offer, in the gilt buy-back auction (as discussed for example in B-URN-000502063, page 172), the pricing information was nonetheless strategic in nature. Notwithstanding the strategic value of information on the offer gilt, the nature of a gilt buy-back auction was such that it was not necessary to state the specific offer gilt in order to provide the recipient Party with an insight to the disclosing Party's pricing and other aspects of its offering strategies. The Bank of England considered the mid-price of every offer gilt submitted in the gilt buy-back auction and then allocated offers '*in descending yield order, based on the attractiveness of the offers for different stocks relative to market yields*' (B-URN-000503310, paragraph 27 (which continued to apply at the start of the Citi-DB Relevant Period, see B-URN-000503309, paragraph 7)). Therefore, in this context, the lack of reference to the offer gilt did not negate the strategic value of the disclosure, as the driving factor for which offers the Bank of England would accept was the offer price relative to the DMO's composite mid-price. In relation to Bloomberg chat **Citi-DB, A-URN-000068** on 3 October 2012, the interview evidence from the Key Individuals supported the view that it was not necessary to state the specific offer gilt for the information disclosed to be strategic (see B-URN-000502069, pages 13 and 14; and B-URN-000502064, pages 6, 7 and 10).

²⁰⁹ In relation to the one Citi-DB Gilt Buy-Back Auction Communication (Bloomberg chat **Citi-DB, A-URN-000050** on 31 July 2012) where each Party disclosed information on its offering strategies in advance of the gilt buy-back auction window, [Citi Trader] (Citi) said in interview that the '*objective*' was to get a '*finger on the pulse of the market sentiment*' for the gilt buy-back auction (B-URN-000502063, pages 203 and 204).

²¹⁰ The CMA has considered the fact that a Party's offer(s) could change before the close of the gilt buy-back auction in response to trading conditions in advance of, and during, the gilt buy-back auction (see paragraph 4.15 and B-URN-000500756) and the evidence of the Key Individuals that prices could be submitted and amended up until the final minute or minutes of the auction (see B-URN-000502063, page 174; B-URN-000502068, pages 128 and 254; B-URN-000502070, page 329, as well as B-URN-000502208). However, the CMA's view is that this does not negate the strategic nature of the disclosed information, nor the strategic value of the information during the gilt buy-back auction window. The fact of the disclosures being made shows that at the time of disclosure the disclosing Party was formulating its offering strategy to apply in the related gilt buy-back auction. By virtue of the information disclosed in the Citi-DB Gilt Buy-Back Auction Communications on the disclosing Party's pricing, the recipient Party obtained an insight to the disclosing Party's pricing strategies based on the trading conditions at the time of the disclosure. If trading conditions changed materially following a disclosure and before the close of the gilt buy-back auction, the recipient Party could at least up to, or very close to, the close of the gilt buy-back auction take such changes into account in combination with the information disclosed.

²¹¹ On occasion, the Parties disclosed information in the final minute of the gilt buy-back auction. [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) each said in interview that, in view of the unreliability of the Bank of England's Btender system for submitting offers, he was unlikely or unable to submit or amend his offers in the gilt buy-back auction near to the close of the gilt buy-back auction (B-URN-000502063, page 174; and B-URN-000502068, page 254). The CMA's view is that the information disclosed remained strategic in particular because in most cases the relevant disclosures took place in advance of, or during, the gilt buy-back auction, and in advance of the final minute of the gilt buy-back auction. In relation to those instances where the relevant disclosures took place in the final minute of the gilt buy-back auction, the CMA notes that [DB Trader] (Deutsche Bank)'s interview evidence was that there would be times when he would submit offers during the last minute. [DB Trader] (Deutsche Bank) informed the CMA that '*there would be times [he would] try and tweak it after [14:44], um, and times it would work and other times it [would] be like it would have failed*' (B-URN-000502068, page 254). For example, [DB Trader] (Deutsche Bank) said in interview that **Citi-DB, A-URN-000067** could have been an instance in which he did seek to amend his offer(s) in the last minute of the gilt buy-back auction: '*it could have been the case that in that last minute ... someone sold me some bonds I was like, "Ooh", and I'd better offer for some 60s, so I offered them at mid*' (see B-URN-000502070, page 329).

Bank) both referred to disclosing information to the other as a '*sense check*'.²¹²

Conclusion – commercially sensitive information disclosed in relation to Gilt Buy-Back Auction Conduct

- 7.22 In view of the above, in relation to the Gilt Buy-Back Auction Conduct, the CMA has concluded that the information disclosed by each Party in the Citi-DB Gilt Buy-Back Auction Communications on its offer price and the parameters of its offer price was commercially sensitive information, the disclosure of which removed, or at least reduced, uncertainty as to specific aspects of the disclosing Party's pricing strategies in relation to the gilts in question and/or was capable of influencing specific aspects of the recipient Party's offering strategy (including pricing) in relation to the gilts in question.

D.IV The Parties remained active on the Relevant Market and did not publicly distance themselves from the disclosures of commercially sensitive information

- 7.23 In the Citi-DB Relevant Period, the Parties remained active on the Relevant Market, through their participation in gilt auctions, the trading of gilts and gilt asset swaps, and the offering of gilts in gilt buy-back auctions, and there is no evidence that either Citi ([Citi Trader]) or Deutsche Bank ([DB Trader]) expressed any reservation or objection to, or sought to publicly distance themselves from, the disclosures of commercially sensitive information in the Citi-DB Conduct on the Citi-DB Specific Dates.²¹³ Therefore, the recipient Party is presumed to have taken account of the commercially sensitive information on pricing (ie as applicable the current mid-price; future trading prices and trading price parameters; bid and offer prices; bid and offer price parameters; and assessments of price, trading prices and bid prices) disclosed by the disclosing Party in determining the recipient Party's conduct in relation to (as applicable) the gilt auctions in question, the trading of the gilts and gilt asset swaps in question, and the gilt buy-back auctions in question.

²¹² For example, in the context of Bloomberg chat **Citi-DB, A-URN-000068** on 3 October 2012, [Citi Trader] (Citi)'s evidence was that he was getting a '*sense check*' to '*see the 12 cents above the market is the right sort of level [ie price] for 3 ts of 21*', ie 3.75% 2021 gilts (B-URN-000502064, pages 6 and 8 to 9). [DB Trader] (Deutsche Bank) said in interview that the reason he participated in '*market discussions*' was to '*test and sense check my views against those of other market participants*', which would have included Citi ([Citi Trader]) (B-URN-000502208, page 1).

²¹³ See paragraph 6.9. For example, neither recipient Party responded with a clear statement that it did not wish to receive the information in question. Nor has the presumption that the information disclosed was taken into account otherwise been rebutted.

D.V Conclusion – concerted practice in relation to Gilt Auction Conduct, Trading Conduct and Gilt Buy-Back Auction Conduct

- 7.24 In view of the above, in relation to the Gilt Auction Conduct, the Trading Conduct and the Gilt Buy-Back Auction Conduct, taken individually and collectively, the CMA has concluded that the information disclosed by one or both of Citi and Deutsche Bank to the other in the Citi-DB Gilt Auction Communications, the Citi-DB Trading Communications and the Citi-DB Gilt Buy-Back Auction Communications on pricing information (ie as applicable, the current mid-price; future trading prices and trading price parameters; bid and offer prices; bid and offer price parameters; and assessments of price, trading prices and bid prices) in relation to certain gilts and gilt asset swaps was confidential and strategic in nature. It was commercially sensitive information, the disclosure of which, having regard to the relevant context, (a) removed, or at least reduced, uncertainty as to specific aspects of the disclosing Party's conduct, and/or (b) was capable of influencing specific aspects of the recipient Party's conduct in relation to (as applicable) the bidding for certain gilts in the context of certain gilt auctions, the trading of certain gilts and gilt asset swaps, and the offering of certain gilts in the context of certain gilt buy-back auctions (as summarised above and set out in Annex B).
- 7.25 Each of the Parties is presumed to have taken account of the commercially sensitive information disclosed for the purposes of determining its conduct on the Relevant Market in relation to the gilt auctions in question, the trading of the gilts and gilt asset swaps in question and the offering of gilts in the gilt buy-back auctions in question. Citi and Deutsche Bank thereby participated in a concerted practice by which they knowingly substituted practical cooperation between them for the risks of competition.

E. Object of restricting or distorting competition

- 7.26 For the reasons set out below, the CMA has found that the concerted practice consisting of the Citi-DB Conduct had as its object the restriction or distortion of competition within the UK.

E.I Content of the Citi-DB Conduct

- 7.27 The CMA has found that the content of the concerted practice consisting of the Citi-DB Conduct was the disclosure by one or both of Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) to the other of commercially sensitive information on their respective pricing strategies (ie as applicable, the current mid-price; future trading prices and trading price parameters; bid and offer prices; bid and offer price parameters; and assessments of price, trading prices and bid prices) in

relation to the gilt auctions in question, the trading of gilts and gilt asset swaps in question and the gilt buy-back auctions in question.²¹⁴

E.II Objective

- 7.28 The CMA has concluded that the objective of the Citi-DB Conduct was to assist one or both of the Parties in formulating and executing aspects of their respective bidding, trading and offering strategies in relation to (as applicable) the bidding for certain gilts in certain gilt auctions, the trading of certain gilts and gilt asset swaps and the offering of certain gilts in certain gilt buy-back auctions.²¹⁵
- 7.29 Specifically, the disclosures provided a form of reassurance which was liable to give one or both of the Parties more confidence when formulating and executing their bidding, trading and offering strategies (including in relation to pricing). For example in the context of one Party using disclosure to the other as a '*sense check*', '*sanity check*' or '*sounding board*'.²¹⁶
- 7.30 In reaching this finding, the CMA has considered evidence about the nature²¹⁷ and context²¹⁸ of the exchanges.

E.III Legal and economic context

- 7.31 For the purposes of the ensuing analysis, the CMA sets out below the key components of the legal and economic context that apply across all the conduct comprising the Citi-DB Conduct and those that are specific to each of the Gilt Auction Conduct, the Trading Conduct and the Gilt Buy-Back Auction Conduct.

²¹⁴ See paragraphs 7.9 to 7.22 above.

²¹⁵ As the Parties' activities across gilt auctions, trading and gilt buy-back auctions were interrelated (see paragraph 7.32 below), the CMA has concluded that the objective of the Citi-DB Conduct applied across the Gilt Auction Conduct, the Trading Conduct and the Gilt Buy-Back Auction Conduct.

²¹⁶ See further footnotes 180, 181, 187, 188 and 212 above.

²¹⁷ Noting that certain types of pricing information (such as bid prices and bid price parameters, the current mid-price, future trading prices and trading price parameters, offer prices and offer price parameters) were relevant to the determination of (as applicable) a Party's bidding, trading and offering strategies (see paragraphs 7.36 and 7.37 below).

²¹⁸ Noting that [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) sought and valued each other's opinions on pricing strategies, including in the context of one or both of the traders requesting commercially sensitive information from the other. See for example Bloomberg chat **Citi-DB, A-URN-000057** on 5 September 2012; Bloomberg chat **Citi-DB, A-URN-000068** on 3 October 2012; and Bloomberg chat **Citi-DB, A-URN-000079** on 24 October 2012. [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) also trusted each other, disclosing information to each other that they would not have expected to be shared more widely. For example, in addition to the disclosures of commercially sensitive information set out in Annex B, in Bloomberg chat **Citi-DB, A-URN-000047** on 18 July 2012 (15:07:34 to 15:07:43), Deutsche Bank ([DB Trader]) disclosed information which he asked that Citi ([Citi Trader]) keep '*between*' the two of them: having discussed a recent trade they both quoted for and which [DB Trader] (Deutsche Bank) had won, [Citi Trader] (Citi) asked [DB Trader] (Deutsche Bank) about the trading price he had quoted: '*would u mind if i asked where?...*', to which [DB Trader] (Deutsche Bank) replied between 15:07:40 and 15:07:43 '*48 ... between us*'. Further, in Bloomberg chat **Citi-DB, A-URN-000275** on 11 June 2012, Citi ([Citi Trader]) disclosed to Deutsche Bank ([DB Trader]) information relating to a recent trade Citi ([Citi Trader]) had completed and said that he was '*more than happy to put that sorta info on a chat to you... no names of course*' (13:10:08). [Citi Trader] (Citi)'s evidence in interview was that he valued Deutsche Bank ([DB Trader])'s opinion in particular and beyond that of other market participants (B-URN-000502063, pages 161 and 162).

- 7.32 The CMA's view, for present purposes, is that there was some relationship between the Parties' activities that are the subject of this Decision,²¹⁹ noting the available evidence from the Parties and Key Individuals regarding the way their respective bidding, trading and offering strategies were set²²⁰ and how they traded.²²¹ The CMA also notes that the Parties used a single mechanism in the form of Bloomberg chats²²² to disclose the commercially sensitive information in the Citi-DB Conduct.²²³
- 7.33 Both Parties were designated as GEMMs during the Citi-DB Relevant Period and were therefore amongst each other's closest competitors for gilts and gilt asset swaps.²²⁴ GEMMs had an important role in relation to gilts in supporting the issuance of government debt and liquidity in gilts.²²⁵
- 7.34 Since gilts and gilt asset swaps were traded over-the-counter through various channels and means, there was no single, agreed 'market' price for each product (see paragraph 4.19). Price-setting was therefore part of the role of a Party's trader requiring the application of independent judgement by reference to a range of imperfect sources of available information, including information that was accessible to all market participants (eg via brokers and electronic trading platforms).²²⁶
- 7.35 A Party's mid-price (which was internal and not in the public domain or otherwise ordinarily available to other dealers) was a pricing reference point in how a Party determined its price in the context of gilt auctions, trading and gilt buy-back auctions (see paragraphs 4.21 to 4.25 and paragraph 7.17(d)(ii)). Further, the adoption of an incorrect mid-price could undermine a trader's bidding, trading or offering strategy.
- 7.36 In determining its bid price(s) in a gilt auction, its trading price(s) for a gilt or gilt asset swap or its offer price(s) in a gilt buy-back auction, a Party would have had regard to its mid-price for (as applicable) the auction gilt, the gilt or gilt asset swap being traded²²⁷ or the offer gilt and its view on the amount (if any) by which the Party considered the relevant price ought to differ from that mid-price alongside

²¹⁹ That is, their activities across gilt auctions, trading and gilt buy-back auctions (see paragraphs 4.4 to 4.18 and Chapter 5), and in relation to gilts and gilt asset swaps (see paragraph 4.1 and Chapter 5).

²²⁰ See B-URN-000501299, paragraph 2.4; B-URN-000500865, paragraphs 14.9; and 37.2, B-URN-000501198, page 10. [DB Trader] (Deutsche Bank) said in interview that when a trader 'enters trades', they would 'have an idea of... where [the] exit is' and one of his exits might be if 'there was an auction coming up' (B-URN-000502068, page 27). [Citi Trader] (Citi) said in interview that in determining his bidding strategy for gilt auctions he would take into account whether there was an upcoming gilt buy-back auction (B-URN-000502063, page 90) and that in determining his bidding strategies in gilt auctions, he would 'probably look at all prices that were trading in [the] secondary market' for the auction gilt and gilts with similar maturities (B-URN-000502063, page 85).

²²¹ See paragraph 4.22 and footnote 90. See also B-URN-000502068, page 14 and B-URN-000502063, pages 77, 78 and 85.

²²² Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) used a 'temporary' Bloomberg chatroom. See footnote 15.

²²³ See paragraph B.1, Annex B, and the Citi-DB Communications set out in Annex B.

²²⁴ See paragraph 4.2 and footnote 105.

²²⁵ See Chapter 4 and DMO Guidebook B-URN-000503294, paragraphs 5 and 14.

²²⁶ See also paragraphs 4.21 to 4.25.

²²⁷ Or, in the context of trading, a comparable gilt or gilt asset swap.

other publicly available information and commercially sensitive information relevant to its pricing and other aspects of its bidding, trading or offering strategies as applicable (see paragraphs 4.24 and 4.25).

- 7.37 Each Party's bid, trading and offer prices were important parameters of competition between them for gilt auctions, trading and gilt buy-back auctions, respectively.²²⁸ Moreover, adopting the 'wrong' price could undermine a trader's bidding, trading or offering strategy. For example, [DB Trader] (Deutsche Bank) said in interview that he had been nervous about a particular gilt auction given that the previous gilt auction had been '*a very costly experience*' for him and others and that because of the fall in price of the auction gilt immediately after the gilt auction '*everyone lost quite a bit of money on it*'.²²⁹ In the context of trading, Deutsche Bank stated that '*inherent in [trading activities] is the risk of acquiring a position which cannot subsequently be sold profitably and/or being unable to meet client demand*'.²³⁰
- 7.38 As regards, Gilt Auction Conduct, during the Citi-DB Relevant Period, a gilt auction was a competitive process whereby GEMMs competed to buy a gilt by submitting independent and confidential bids to the DMO to secure their desired allocation of the gilt to be issued.²³¹ GEMMs were the only institutions eligible to participate directly in gilt auctions. At no point before, during or after a gilt auction were an individual GEMM's bids ordinarily disclosed to other GEMMs, nor were they otherwise published or made available.²³²
- 7.39 As regards Trading Conduct, during the Citi-DB Relevant Period, the Parties competed with each other (and other dealers) both in relation to trades with clients and trades with other counterparties.²³³ There was a range of strategic reasons a Party could look to trade, including to build relationships with clients, manage risk, and, in relation to the trading of gilts only, to meet its obligations as a GEMM and to demonstrate a strong market presence to win a lead manager role in syndication.²³⁴
- 7.40 As regards Gilt Buy-Back Auction Conduct, during the Citi-DB Relevant Period, the Parties competed with each other (and other participants) in relation to the offering for sale and sale of gilts to the Bank of England via these gilt buy-back auctions.²³⁵ At no point before, during or after a gilt buy-back auction were a participant's offers

²²⁸ See paragraphs 4.7, 4.8, 4.13, 4.17 and 4.18.

²²⁹ B-URN-000502069, page 92, commenting on Bloomberg chat **Citi-DB, A-URN-000052** on 15 August 2012. See also B-URN-000502065, page 103.

²³⁰ B-URN-000500865, paragraph 4.1(a).

²³¹ See further paragraphs 4.6 to 4.8.

²³² See paragraph 4.6.

²³³ See paragraph 4.13.

²³⁴ See paragraph 4.12.

²³⁵ See paragraphs 4.17 and 4.18.

ordinarily disclosed to other participants, nor were they otherwise published or made available.

E.IV Restriction or distortion of competition by object

- 7.41 In view of the foregoing analysis of the content, objective and legal and economic context in which the Citi-DB Conduct took place, and for the further reasons set out below, the CMA has concluded that the concerted practice consisting of the Citi-DB Conduct had as its object the restriction or distortion of competition.
- 7.42 As regards Gilt Auction Conduct and Gilt Buy-Back Auction Conduct, a fair and competitive auction process depended on the participating GEMMs submitting independently derived bids and offers, respectively.²³⁶
- 7.43 As regards Trading Conduct, the effective and competitive trading of gilts and gilt asset swaps involved participants setting their pricing and other aspects of their trading strategies independently of each other.²³⁷
- 7.44 The disclosures of commercially sensitive information in, respectively, the Citi-DB Gilt Auction Communications and the Citi-DB Gilt Buy-Back Auction Communications, removed, or at least reduced, uncertainty as to specific aspects of the disclosing Party's pricing strategies in relation to the gilts in question and/or were capable of influencing specific aspects of the recipient Party's (as applicable) bidding and offering strategies (including pricing) in relation to the gilts in question.²³⁸ They also resulted in an informational asymmetry between the Parties and other participants in the relevant gilt auctions and gilt buy-back auctions, respectively,²³⁹ thereby placing one or both of the Parties at a competitive advantage compared to those other GEMMs, bidding (on their own behalf or on behalf of their clients) in the gilt auctions and to those other participants offering gilts in the gilt buy-back auctions, respectively.²⁴⁰
- 7.45 The disclosures of commercially sensitive information in the Citi-DB Trading Communications, removed, or at least reduced, uncertainty on the relevant Citi-DB Specific Dates as to specific aspects of the disclosing Party's pricing strategies in relation to the gilts and gilt asset swaps in question and/or were capable of influencing specific aspects of the recipient Party's trading strategies (including pricing) in relation to those gilts and gilt asset swaps.²⁴¹ They also resulted in an informational asymmetry between the Parties and other participants in relation to

²³⁶ See paragraphs 4.6, 4.15, 4.19, 4.22, 7.38 and 7.40.

²³⁷ See paragraphs 4.13, 4.19, 4.22 and 7.39.

²³⁸ See further paragraphs 7.12 and 7.22.

²³⁹ The informational asymmetry was that one or both of the Parties had better information relevant to competition than was otherwise lawfully available to other GEMMs.

²⁴⁰ Since GEMMs were the only institutions eligible to bid directly in a gilt auction, their clients could, therefore, only participate in gilt auctions indirectly by placing bids through a GEMM. See paragraph 4.8.

²⁴¹ See further paragraph 7.18.

the trading of those gilts and gilt asset swaps,²⁴² thereby placing one or both of the Parties at a competitive advantage compared to counterparties (which included each Party's clients) and competitors.

- 7.46 The disclosures in the Citi-DB Communications provided the recipient Party with a form of reassurance and were liable to give one or both of the Parties more confidence regarding (as applicable) their bidding strategies (including pricing) for the gilt auctions in question, their trading strategies (including pricing) in relation to the gilts and gilt asset swaps in question and their offering strategies (including pricing) for the gilt buy-back auctions in question.
- 7.47 Such conduct was not consistent with the Parties determining their bidding, trading and offering strategies (including pricing) independently. It did not correspond to the normal conditions of competition in (as applicable) certain gilt auctions, the trading of certain gilts and gilt asset swaps, and certain gilt buy-back auctions that would have been present absent the disclosures. Moreover, the disclosures of commercially sensitive information were not necessary for the proper functioning of normal competition in the gilt auctions in question, in relation to the trading of those gilts and gilt asset swaps, or in the gilt buy-back auctions in question.
- 7.48 In view of the above, the disclosures of commercially sensitive information were, by their very nature, harmful to the proper functioning of normal competition.

Conclusion on the restriction or distortion of competition

- 7.49 For the reasons set out above, and having had regard to the content of the concerted practice, its objective and the economic and legal context of which it formed a part, the CMA has concluded that the Citi-DB Conduct revealed a sufficient degree of harm to competition in relation to the gilt auctions in question, the trading of the gilts and gilt asset swaps in question and the gilt buy-back auctions in question such as to constitute a restriction or distortion of competition by object.

F. The Citi-DB Infringement as an appreciable restriction of competition

- 7.50 A concerted practice that has an anti-competitive object constitutes an appreciable restriction on competition by its nature and independently of any concrete effect that it may have.²⁴³

²⁴² The informational asymmetry was that one or both of the Parties had better information relevant to competition than was otherwise lawfully available to other participants.

²⁴³ See paragraph 6.24.

- 7.51 The CMA has found that Citi and Deutsche Bank participated in a concerted practice that had the object of restricting or distorting competition (see paragraphs 7.24, 7.25 and 7.49 above). The CMA has therefore found that the concerted practice constitutes, by its nature, an appreciable restriction of competition within the UK for the purposes of the Chapter I prohibition.²⁴⁴

G. Potential effect on trade within the UK of the Citi-DB Infringement

- 7.52 The CMA has found that the Citi-DB Infringement was capable of affecting trade within the UK given the geographical scope of the Citi-DB Infringement (which included the whole of the UK), the nature of the Citi-DB Infringement and the Parties' activities in the Relevant Market within the UK (see footnote 244).

H. Exclusion or exemption

- 7.53 The CMA has found that none of the exclusions from the Chapter I prohibition apply to the Citi-DB Infringement.²⁴⁵
- 7.54 Concerted practices which have as their object the prevention, restriction or distortion of competition are unlikely to benefit from individual exemption under section 9(1) of the Act as such restrictions generally fail (at least) the first two conditions for exemption: they neither create objective economic benefits nor do they benefit consumers. Moreover, such concerted practices generally also fail the third condition (indispensability).
- 7.55 However, each case ultimately falls to be assessed on its merits. Neither of the Parties has claimed that an exemption should apply in this case.²⁴⁶ The CMA has therefore concluded that no exemption applies in this case.

I. Legal characterisation and duration of the Citi-DB Infringement

- 7.56 The CMA has found that, on the basis of the evidence taken as a whole, the Citi-DB Conduct constituted a single and repeated infringement, comprising the specific disclosures of commercially sensitive information in the Citi-DB Communications on the Citi-DB Specific Dates, namely 18 July 2012, 31 July 2012, 9 August 2012, 16 August 2012, 4 September 2012, 5 September 2012, 2

²⁴⁴ In any event, and in the alternative, the CMA has found that the Citi-DB Infringement constituted an appreciable restriction on competition within the UK for the purpose of the Chapter I prohibition based on the following: (i) the geographic scope of the Citi-DB Infringement covered conduct within the UK; (ii) the nature of the Citi-DB Infringement (see paragraphs 7.41 to 7.49); and (iii) the Parties' activities in the Relevant Market within the UK, including the nature of the Parties' roles as GEMMs.

²⁴⁵ See paragraph 6.26.

²⁴⁶ In accordance with section 9(2) of the Act, any Party claiming the benefit of an exemption bears the burden of proving that the conditions in section 9(1) of the Act are satisfied.

October 2012, 3 October 2012, 23 October 2012, 24 October 2012, 8 January 2013 and 11 January 2013.

7.57 The CMA has relied on the following evidence to conclude that the Citi-DB Conduct constituted a single infringement.

- (a) The Citi-DB Conduct pursued a single objective, which was to assist one or both of the Parties in formulating and executing aspects of their respective bidding, trading and offering strategies in relation to (as applicable) the bidding for certain gilts in certain gilt auctions, the trading of certain gilts and gilt asset swaps and the offering of certain gilts in the context of certain gilt buy-back auctions.
- (b) The same two Key Individuals at the same two undertakings disclosed the commercially sensitive information in the Citi-DB Relevant Period using the same means of communication (that is, bilateral Bloomberg chats²⁴⁷) throughout the Citi-DB Relevant Period.
- (c) The products that were the subject of the Citi-DB Infringement, namely gilts and gilt asset swaps, were the same or similar throughout the Citi-DB Relevant Period and were traded in the same or similar ways.²⁴⁸
- (d) There were certain similarities in how pricing of those products across gilt auctions, trading and gilt buy-back auctions was determined during the Citi-DB Relevant Period.²⁴⁹

7.58 Through its own conduct, each of Citi and Deutsche Bank intentionally contributed to the Citi-DB Conduct and the single objective of that conduct. Furthermore, each of Citi and Deutsche Bank was a party to each Citi-DB Communication and, having understood its contents, was necessarily aware of the other's contribution to the Citi-DB Conduct in pursuit of the single objective.

7.59 In the specific circumstances of this case, the CMA has found that the disclosures of commercially sensitive information in the Citi-DB Communications between Citi and Deutsche Bank on the Citi-DB Specific Dates constitute a single and repeated infringement. The CMA has therefore found that the duration of the Citi-DB Infringement was 12 days.

J. Conclusion on the Citi-DB Infringement

7.60 For the reasons set out in this Chapter, the CMA has found that in the Citi-DB Relevant Period, Citi and Deutsche Bank infringed the Chapter I prohibition by

²⁴⁷ Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) used a 'temporary' Bloomberg chatroom, see footnote 15.

²⁴⁸ See paragraphs 4.9, 4.10, footnote 38 and paragraph 5.3.

²⁴⁹ See paragraphs 4.19 to 4.25.

participating in a concerted practice which had as its object the restriction or distortion of competition within the UK.

K. Attribution of liability

7.61 The CMA has set out below in relation to each Party the relevant legal persons, including the legal entity directly involved in the Citi-DB Infringement and (if different) the ultimate parent company.

K.I Citi

7.62 [Citi Trader] was employed by Citigroup GML during the Citi-DB Relevant Period and his participation in the gilt auctions, trading activities and gilt buy-back auctions described in this Chapter 7 was on behalf of Citi.²⁵⁰ Accordingly, the CMA has found that Citigroup GML was directly involved in, and is therefore liable for, the Citi-DB Infringement.

7.63 The CMA has also found that Citigroup Inc. is jointly and severally liable with Citigroup GML for the Citi-DB Infringement. That is because, throughout the Citi-DB Relevant Period, Citigroup GML was a wholly owned subsidiary of Citigroup Inc.,²⁵¹ which can therefore be presumed to have exercised decisive influence over Citigroup GML during the Citi-DB Relevant Period, and thereby formed part of the same undertaking.

7.64 This Decision is therefore addressed to Citigroup GML and Citigroup Inc.

K.II Deutsche Bank

7.65 The ultimate parent company of the undertaking is Deutsche Bank.²⁵²

7.66 During the Citi-DB Relevant Period, [DB Trader]'s participation in the gilt auctions, trading activities and gilt buy-back auctions described in this Chapter 7 was on behalf of Deutsche Bank.²⁵³ Accordingly, the CMA has concluded that Deutsche Bank was directly involved in, and is therefore liable for, the Citi-DB Infringement. This Decision is therefore addressed to Deutsche Bank.

²⁵⁰ See paragraphs 3.5 to 3.7.

²⁵¹ See paragraph 3.4.

²⁵² See paragraph 3.9.

²⁵³ See paragraphs 3.10 to 3.12.

8. THE CMA'S ACTION

A. The CMA's decision

- 8.1 On the basis of the evidence set out in this Decision, the CMA has made a decision addressed to the Parties, finding them liable for infringing the Chapter I prohibition.

B. Directions

- 8.2 Where the CMA has made a decision that a concerted practice infringes the Chapter I prohibition, it may give to such person or persons as it considers appropriate such directions as it considers appropriate to bring the infringement to an end.²⁵⁴
- 8.3 As the Citi-DB Infringement has come to an end, the CMA has decided not to issue directions in this case.

C. Financial penalties

- 8.4 On making a decision that a concerted practice has infringed the Chapter I prohibition, the CMA may require an undertaking which is a party to that concerted practice to pay the CMA a penalty in respect of the infringement.²⁵⁵
- 8.5 The CMA has signed an immunity agreement with Deutsche Bank, pursuant to which Deutsche Bank admitted its involvement in the Citi-DB Infringement.²⁵⁶ Deutsche Bank was granted full immunity from financial penalties under the CMA's leniency policy. This immunity will continue to apply provided that Deutsche Bank continues to comply with the conditions of the CMA's leniency policy.²⁵⁷
- 8.6 As part of its settlement,²⁵⁸ Citi has admitted its involvement in, and liability for, the Citi-DB Infringement as set out in this Decision. Under the terms of the settlement, Citi has agreed to pay a maximum total financial penalty of **£13,520,000** in relation to the Citi-DB Infringement.

²⁵⁴ Section 32(1), read together with section 2(5) of the Act.

²⁵⁵ Section 36(1), read together with section 2(5) of the Act.

²⁵⁶ See paragraph 2.1.

²⁵⁷ See Chapter 2 of this Decision. The CMA has therefore not calculated the level of any financial penalty that the CMA would have imposed on Deutsche Bank if immunity had not been granted.

²⁵⁸ See paragraph 2.5.

- 8.7 The CMA must have regard to the guidance on penalties in force at the time when setting the amount of a penalty,²⁵⁹ which sets out a six-step approach for calculating the penalty to be imposed on an undertaking.²⁶⁰
- 8.8 The CMA has a discretion to impose financial penalties.²⁶¹ In assessing the appropriateness and proportionality of a penalty, the CMA is not bound by its previous decisions, but it should ensure that there is broad consistency in its approach.²⁶²

C.I Intention/negligence

- 8.9 The CMA may impose a penalty on an undertaking which has infringed the Chapter I prohibition only if it is satisfied that the infringement has been committed intentionally or negligently by the undertaking.²⁶³
- 8.10 In view of the objective of the conduct of the Parties in respect of the Citi-DB Infringement (see Chapter 7²⁶⁴) and the obligations the Parties, as GEMMs, were required to meet,²⁶⁵ the CMA has concluded that the Parties must have been aware, or could not have been unaware, that their conduct had the object of restricting competition.²⁶⁶ In the alternative, for the same reasons, the CMA has concluded that, at the very least, the Parties ought to have known that their conduct would result in a restriction or distortion of competition.
- 8.11 The CMA has therefore found, for the purposes of determining whether to exercise its discretion to impose a penalty, that the Citi-DB Infringement was committed intentionally. In the alternative, for the same reasons, the CMA has found that the Citi-DB Infringement was committed at least negligently.

²⁵⁹ Section 38(8) of the Act. In this Decision the CMA has had regard to the Penalty Guidance as published on 16 December 2021 (CMA73).

²⁶⁰ Penalty Guidance, paragraph 2.1.

²⁶¹ Penalty Guidance, paragraph 1.2.

²⁶² Penalty Guidance, paragraph 1.4.

²⁶³ Section 36(3) of the Act. The Competition Appeal Tribunal has defined the terms 'intentionally' and 'negligently' as follows: '*an infringement is committed intentionally for the purposes of section 36(3) of the Act if the undertaking must have been aware, or could not have been unaware, that its conduct had the object or would have the effect of restricting competition. An infringement is committed negligently for the purposes of section 36(3) if the undertaking ought to have known that its conduct would result in a restriction or distortion of competition*' (*Argos Limited and Littlewoods Limited v OFT* [2005] CAT 13 ('*Argos and Littlewoods*') at [221]. See also *Napp Pharmaceutical Holdings Limited and Subsidiaries v Director General of Fair Trading* [2002] CAT 1 ('*Napp*') at [456]). The CMA is not obliged to specify whether it considers the infringement to be intentional or merely negligent for the purposes of determining whether it may exercise its discretion to impose a penalty (*Napp* at [453] to [457]).

²⁶⁴ In particular, see paragraph 7.58 in relation to each Party's intentional contribution to the Citi-DB Conduct and its single objective, and also each Party's awareness of the other's contribution to the Citi-DB Conduct in pursuit of the single objective.

²⁶⁵ See Chapter 4. Specifically, the DMO guidebook in force during the Citi-DB Relevant Period set out the DMO's view that '*liquidity in the gilt market is best maintained by the presence of **competing market makers***' (emphasis added) (B-URN-000503294, paragraph 5).

²⁶⁶ It is not necessary to show that the undertaking also knew that it was infringing the Chapter I prohibition and, in some cases, the fact that certain consequences are plainly foreseeable is an element from which the requisite intention may be inferred (*Napp* at [456]).

C.II Calculation of Citi's penalty

Step 1 – starting point

- 8.12 The starting point for determining the level of financial penalty is calculated through a case specific assessment, having regard to the relevant turnover of the undertaking, the seriousness of the infringement and the need for general deterrence.²⁶⁷

Determination of Citi's turnover

- 8.13 The CMA has calculated Citi's penalty using an income-based, rather than turnover-based, approach.²⁶⁸
- 8.14 Citi provided the CMA with the income information that it identified as most closely reflecting income derived from its activities within the Relevant Market (see Chapter 5),²⁶⁹ which the CMA used to determine the categories of income that it considers appropriate to include within Citi's relevant turnover.²⁷⁰
- 8.15 The Penalty Guidance refers to relevant turnover in an undertaking's last business year (being the financial year preceding the date when the infringement ended).²⁷¹ However, to reduce the distortive effect of gains and losses year on year,²⁷² the CMA has taken an average of Citi's relevant turnover across:²⁷³

²⁶⁷ Penalty Guidance, paragraphs 2.2 to 2.13.

²⁶⁸ Normally, the CMA will base relevant turnover on revenue figures that reflect the turnover of sales. However, banks record revenue generated from their activities on a basis which reflects the net of prices paid and received for the buying and selling of assets, together with trading gains and losses and certain trading costs. This revenue is referred to as 'income' in this document. This approach is consistent with the Penalty Guidance (paragraphs 2.11 and 2.12, citing the Competition Act 1998 (Determination of Turnover for Penalties) Order 2000 (SI 2000/309) (the '**Penalties Order**'), which states that figures other than turnover figures may better reflect the true scale of an undertaking's activity in the relevant market and with Paragraph 5 of the Schedule to the Penalties Order, which prescribes an income-based approach to calculating the maximum penalty that may be imposed on financial institutions.

²⁶⁹ Namely, income relating to the issuance and trading of gilts and related derivative instruments (which the CMA notes is wider than income in relation to gilt asset swaps). Citi did not separately record income derived from its activities within the Relevant Market and it highlighted limitations in its ability to retrieve, and provide the CMA with, income information that specifically relates to gilts and gilt asset swaps (that is, the products falling within the Relevant Market) from its archived reporting systems (see, for example: B-URN-000501912, in particular page 2; and B-URN-000502327, in particular, pages 1 and 10). As the closest comparator to income relating to gilts and gilt asset swaps, Citi provided the CMA with income information arising from its [desk].

²⁷⁰ The CMA considers it appropriate to include syndication fees within relevant turnover, despite syndication not forming part of the Relevant Market, in order properly to reflect the way in which Citi (and other GEMMs) were remunerated for their activities within the Relevant Market (see, for example, B-URN-000502327, page 11). Given the limitations on the information available and the ways in which revenues were generated in the Relevant Market, there is no perfectly accurate way to reflect the true scale of Citi's activities in the Relevant Market at Step 1 in this case.

²⁷¹ Penalty Guidance, paragraph 2.10.

²⁷² Reported income in relation to gilts and gilt asset swaps may also reflect external factors, which may vary considerably from year to year (eg gains and losses from holding assets and liabilities). A snapshot of one year's income therefore may not accurately reflect the true scale of an undertaking's activities in the Relevant Market in that financial year (for example, Citi's market share (by volume) was significantly more stable than is implied by its income data and relevant turnover (CMA calculations based on B-URN-000501386, see footnote 278)).

²⁷³ Although there is no certainty that the fluctuations caused by external factors will in practice average out within the Citi-DB Relevant Period, the CMA considers that the use of averaging is appropriate in seeking to reduce the variability in income, and therefore provides a relevant turnover figure which more closely reflects the true scale of activity.

- (a) the 'last business year', ie the financial year ending **31 December 2012**; and
- (b) any other financial year falling (in whole or in part) within the Citi-DB Relevant Period, ie the financial year ending **31 December 2013**.

8.16 The CMA has therefore determined that Citi's relevant turnover was **£26,945,984**.²⁷⁴

Assessment of the seriousness of the Citi-DB Infringement and the need for general deterrence

- 8.17 The CMA considers that the Citi-DB Infringement (as set out in Chapter 7) is, in terms of the Penalty Guidance, among '*the most serious types of infringement*', as it was '*likely by [its] very nature to harm competition most*' and that it would be appropriate to apply a starting point of **23%**.²⁷⁵
- 8.18 In making this assessment, the CMA has considered the relevant circumstances of the case,²⁷⁶ including the nature of the product,²⁷⁷ the structure of the market,²⁷⁸ the market coverage of the infringement,²⁷⁹ and the potential harm from the Citi-DB Infringement for competitors and consumers, whether directly or indirectly.²⁸⁰
- 8.19 Finally, the CMA considers that a starting point of 23% is appropriate and sufficient for the purposes of general deterrence,²⁸¹ given the seriousness of the Citi-DB Infringement. A lower starting point would risk undermining the clear message for other businesses, both in the financial services sector and more broadly, that they should not engage in the same or similar conduct.
- 8.20 Therefore, at the end of Step 1, Citi's penalty is **£6,197,576**.

²⁷⁴ Based on the 'Grand Total' figures for 2012 and 2013 provided by Citi in Table 1 of B-URN-000502327 (£31.9 million and £21.9 million respectively, converted from USD to GBP at prevailing exchange rates). As Citi was not able separately to identify income from gilts and gilt-related derivatives (see footnote 269), the CMA's determination of Citi's relevant turnover may include income that falls outside the Relevant Market (specifically, certain gilt derivative income, non-gilt fixed asset income and non-gilt derivative income).

²⁷⁵ Penalty Guidance, paragraph 2.5; see also paragraphs 2.3 to 2.9.

²⁷⁶ Penalty Guidance, paragraph 2.7.

²⁷⁷ ie gilts and gilt asset swaps, which were interrelated to gilts (see footnote 38), which were issued as part of the UK government's debt management policy.

²⁷⁸ Within which GEMMs (including Citi) were each other's closest competitors for gilts and gilt asset swaps (see footnote 105) and had an important role in supporting the issuance and liquidity of gilts. GEMMs' activities took place within a multi-trillion pound 'market' for gilts and, in the financial year ending 31 December 2012, Citi traded gilt volumes of over £[>] billion (the CMA has calculated Citi's volumes traded based on quarterly data provided by the DMO in B-URN-000501386. The DMO data used by the CMA comprises the total 'secondary' market turnover volumes on a quarter-by-quarter basis and the percentage of volumes attributable to Citi for gilts, based on GEMMs' own submissions of turnover data to the DMO (see B-URN-000501382, questions 14, 15 and 16)).

²⁷⁹ Including the fact that conventional gilts represented the vast majority of the UK's gilt portfolio (B-URN-000503299, page 62) and the Relevant Market was global (see Chapter 5).

²⁸⁰ See Chapter 7.

²⁸¹ Penalty Guidance, paragraph 2.8.

Step 2 – adjustment for duration

- 8.21 The CMA has found that the duration of the Citi-DB Infringement was less than one year (see paragraph 7.59) and there are no exceptional circumstances to warrant decreasing the starting point. The CMA has therefore treated the duration of the Citi-DB Infringement as a full year (ie the figure reached at the end of Step 1 will be **multiplied by 1**).²⁸²
- 8.22 Citi's penalty at the end of Step 2 is therefore **£6,197,576**.

Step 3 – adjustment for aggravating and mitigating factors

- 8.23 The amount of the penalty may be increased where there are aggravating factors, or decreased where there are mitigating factors.²⁸³
- 8.24 As a Type C leniency applicant, Citi's cooperation with the investigation is not covered under this step as it is covered separately in accordance with the requirement of continuous and complete cooperation as a condition of leniency. Citi's penalty at the end of Step 3 therefore remains **£6,197,576**.

Step 4 – adjustment for specific deterrence

- 8.25 A penalty may be increased at this step to ensure that it is sufficient to deter the undertaking from breaching competition law in the future.²⁸⁴
- 8.26 An increase at this step will be appropriate where an undertaking has a significant proportion of its turnover outside the relevant market, or where the potential fine is otherwise too low to achieve the objective of deterrence in view of the undertaking's size and financial position.²⁸⁵
- 8.27 In relation to Citi's specific size and financial position,²⁸⁶ its total worldwide revenue was US\$78.5 billion (£63.1 billion) in the financial year ending 31 December 2023; and its average worldwide revenue was US\$75.2 billion (£58.8 billion) for the three-year period ending 31 December 2023.²⁸⁷

²⁸² Penalty Guidance, paragraph 2.14.

²⁸³ Penalty Guidance, paragraphs 2.15 to 2.17.

²⁸⁴ Penalty Guidance, paragraph 2.19. Any penalty that is too low to deter an infringing undertaking is also unlikely to deter other undertakings that may be considering anti-competitive activities.

²⁸⁵ Penalty Guidance, paragraph 2.21. The CMA would expect to make more significant adjustments, both for general and specific deterrence, where an undertaking's relevant turnover is very low or zero with the result that the figure at the end of Step 3 would be very low or zero (Penalty Guidance, paragraph 2.23).

²⁸⁶ Penalty Guidance, paragraph 2.19. The CMA will consider indicators of size and financial position at the time the penalty is being imposed and may consider three-year averages for turnover (Penalty Guidance, paragraph 2.20).

²⁸⁷ The CMA has taken the undertaking's total worldwide turnover as the primary indicator of the size of the undertaking and its economic power (Penalty Guidance, paragraph 2.20). Unless otherwise stated, the CMA has based its assessment on publicly available financial information sourced from Citi's consolidated financial statements for the financial year ending 31 December 2023 (source: [Citigroup Inc. 2023 10-K](#)). Figures have been converted from US dollars into sterling using annual average exchange rates (source: Office of National Statistics). Averages have been calculated over the three-year period ending 31 December 2023.

- 8.28 Over 99% of Citi's worldwide revenue is therefore generated outside the Relevant Market. Moreover, a penalty at the end of Step 3 of £6,197,576 accounts for less than 0.01% of Citi's total worldwide revenue for the financial year ending 31 December 2023 and approximately 0.01% of its three-year average revenue.
- 8.29 Citi's relevant turnover (see paragraph 8.16 above) does not reflect the scale of its involvement in the Relevant Market and therefore the potential harm to competition, since it is more comparable to direct profit²⁸⁸ and it is relatively small compared to Citi's total traded gilt volumes.²⁸⁹ A more significant adjustment is therefore necessary at Step 4.²⁹⁰
- 8.30 The CMA has also concluded that other specific features of this case are relevant circumstances to be taken into account,²⁹¹ including:
- (a) the potential harm from the Citi-DB Infringement;²⁹² and
 - (b) the length of time that has passed since the end of the Citi-DB Infringement and the extensive compliance (and related monitoring and surveillance) measures that Citi has introduced since then (some of which were in place well before the start of the CMA's investigation), which are highly unusual in their extent and followed significant changes in the regulatory and governance environment in the financial services sector that have occurred since the Citi-DB Infringement.²⁹³
- 8.31 Notwithstanding Citi's current compliance measures, the CMA has concluded that an uplift for specific deterrence is necessary for the following reasons:
- (a) since no compliance could reasonably be expected entirely to remove the risk of future breaches, the financial penalty itself needs to be of an order of magnitude that is capable of having a deterrent effect;
 - (b) the size of the penalty at the end of Step 3 is not sufficiently high to command an appropriate degree of attention of Citi's top-level management to incentivise them to maintain robust competition compliance measures in this specialist sector; and
 - (c) although the regulatory regime in the financial sector in effect means that Citi will maintain compliance measures, its incentives to do so are different from,

²⁸⁸ See paragraph 8.13.

²⁸⁹ Which were over £[>] billion for Citi in the financial year ending 31 December 2012, which represents approximately [0-5]% of the total volume traded by GEMMs in 2012 (CMA calculations based on B-URN-000501386, see footnote 278). The CMA further notes that, as set out in footnote 269, the limitations of the information available and the ways in which revenues were generated mean it is not possible to capture the true scale of Citi's activities in the Relevant Market.

²⁹⁰ Penalty Guidance paragraph 2.23.

²⁹¹ Penalty Guidance, paragraph 2.19.

²⁹² Including the number and range of Citi-DB Specific Dates (see Chapter 7) and Citi's share of the total volume traded by GEMMs (see footnote 289).

²⁹³ See, for example, B-URN-000504706, provided in response to a Request for Information (B-URN-000504641).

and not a substitute for, those created through the CMA's competition law-specific fining powers; hence those incentives do not remove the need for an uplift in the present case for the reasons set out above.

- 8.32 In view of the above factors, and the fact that Step 4 is '*an important step for the purposes of achieving deterrence in accordance with the statutory objective set out in section 36(7A)(b) of [the Act]*',²⁹⁴ the CMA has increased Citi's penalty after Step 4 to **£26,000,000** for the Citi-DB Infringement.²⁹⁵

Step 5 – adjustment to check that the penalty is proportionate and prevent the maximum penalty being exceeded

- 8.33 Where necessary, the penalty may be decreased to ensure that the level of the penalty is not disproportionate.²⁹⁶ The CMA is not restricted to imposing the lowest penalty that could reasonably be justified and it will select the figure which it considers is appropriate in the circumstances of the case.²⁹⁷
- 8.34 The CMA considers that a penalty for Citi of £26,000,000 for the Citi-DB Infringement is appropriate and proportionate in the round.²⁹⁸ In making this assessment, the CMA has had regard to the following:²⁹⁹
- (a) Citi's specific size and financial position, as set out in paragraphs 8.27 and 8.28 and footnote 295;
 - (b) the factors set out in paragraph 8.30(a); and
 - (c) the extensive compliance (and related monitoring and surveillance) measures that Citi has put in place since the end of the Citi-DB Infringement (see paragraphs 8.30(b) and 8.31).
- 8.35 No adjustment is required as the penalty does not exceed 10% of Citi's worldwide revenue in the financial year ending 31 December 2023.

²⁹⁴ Penalty Guidance, paragraph 2.19.

²⁹⁵ The CMA acknowledges that Citi's penalty after Step 4 is large both in absolute terms and relative to the level of the penalty after Step 3. However, this remains a very small proportion of Citi's total worldwide revenue for the financial year ending 31 December 2023 (less than 0.1%), its average worldwide revenue over its last three financial years (less than 0.1%), its worldwide profit after tax for the financial year ending 31 December 2023 (approximately 0.3%) and its average worldwide profit after tax over the last three financial years (approximately 0.2%).

²⁹⁶ Penalty Guidance, paragraph 2.25. A penalty may be proportionate even if it exceeds the statutory cap; however, if that is the case a further adjustment will be needed (Penalty Guidance 2.27).

²⁹⁷ Penalty Guidance, paragraph 2.25 and *FP McCann Limited v CMA* [2020] CAT 28 at [347].

²⁹⁸ On the same day as this Decision is adopted, the CMA has also adopted a decision imposing a financial penalty on Citi for its involvement in a separate infringement between it and Morgan Stanley (see Chapter 2). In that separate decision, the CMA has considered the proportionality of the total penalties being imposed on Citi in relation to the Citi-DB Infringement and the separate infringement involving Citi and Morgan Stanley. It is therefore not necessary to conduct the proportionality assessment in this Decision.

²⁹⁹ Penalty Guidance, paragraph 2.26.

8.36 As a result of the above, after Step 5 Citi's penalty for the Citi-DB Infringement is **£26,000,000**.

Step 6 – application of reductions including under the CMA's settlement policy

8.37 The CMA will reduce an undertaking's penalty at Step 6 where the undertaking has a leniency agreement with the CMA or reaches a settlement with the CMA.³⁰⁰

8.38 Provided that Citi continues to comply with the conditions set out in its leniency agreement,³⁰¹ it will benefit from a leniency discount of **35%** in relation to the Citi-DB Infringement.

8.39 As set out in paragraph 8.6, Citi has admitted its involvement in, and liability for, the Citi-DB Infringement as set out in this Decision. In light of that admission, and Citi's agreement to cooperate in the process for concluding the investigation, the CMA has reduced Citi's financial penalty by **20%** in relation to the Citi-DB Infringement (provided that it complies with the continuing requirements of the settlement reached with the CMA³⁰²).

Penalties imposed by the CMA

8.40 The CMA therefore requires Citi to pay a penalty of **£13,520,000** for the Citi-DB Infringement.

8.41 The penalty will become due to the CMA on Tuesday, 22 April 2025³⁰³ and must be paid to the CMA by close of banking business on that date.³⁰⁴

Juliette Enser

Acting Executive Director, Competition Enforcement

for and on behalf of the Competition and Markets Authority

³⁰⁰ Penalty Guidance, paragraphs 2.30 and 2.31.

³⁰¹ See paragraph 2.2.

³⁰² See paragraph 2.5.

³⁰³ The next working day two calendar months from the expected date of receipt of this Decision.

³⁰⁴ Details on how to pay are set out in the letter accompanying this Decision.

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Annex A: Glossary

A.1 In this Decision, the following terms have the meaning set out below. References to the singular include the plural and vice versa as the context requires.

Term	Definition
the Act	the Competition Act 1998
auction gilt	the specific gilt being issued in a gilt auction
bid / bidding	submitting a bid in a gilt auction
bid price	a price bid in a gilt auction for the auction gilt
bid volume	a volume bid in a gilt auction for the auction gilt
Bloomberg chats	contemporaneous communications between the Key Individuals sent in 'temporary' bilateral Bloomberg chatrooms
Chapter I prohibition	the prohibition in section 2(1) of the Act
Citi	together, Citigroup GML and its ultimate parent company Citigroup Inc.
Citi-DB Communications	has the meaning given to it in paragraph 7.2 of this Decision
Citi-DB Conduct	has the meaning given to it in paragraph 7.7 of this Decision
Citi-DB Gilt Auction Communications	has the meaning given to it in paragraph 7.9 of this Decision
Citi-DB Gilt Buy-Back Auction Communications	has the meaning given to it in paragraph 7.19 of this Decision
Citi-DB Infringement	the infringement in which Citi and Deutsche Bank participated, as detailed in paragraph 7.2 of this Decision
Citi-DB Relevant Period	The period from 18 July 2012 to 11 January 2013
Citi-DB Specific Dates	has the meaning given to it in paragraph 7.2 of this Decision
Citi-DB Trading Communications	has the meaning given to it in paragraph 7.14 of this Decision
Citigroup GML	Citigroup Global Markets Limited
the CMA	the Competition and Markets Authority
the CMA Rules	the Competition Act 1998 (Competition and Market Authority's Rules) Order 2014, SI 2014/458
commercially sensitive information	commercially sensitive strategic information
Deutsche Bank	Deutsche Bank Aktiengesellschaft
the DMO	the Debt Management Office (an executive agency of HM Treasury)
the FCA	the Financial Conduct Authority
GEMM	a wholesale gilt-edged market maker

Term	Definition
gilt	a sterling-denominated UK government bond, pursuant to which the UK government guaranteed to pay the holder of the gilt an annual cash payment (the coupon) in two equal semi-annual payments until the gilt's maturity date, at which point the UK government would pay the holder the final coupon payment and the principal amount
gilt asset swap	a product consisting of a gilt and an interest rate swap, typically with the same or similar maturity date as the gilt
gilt auction	an auction conducted for the purposes of issuing a gilt on behalf of the UK government
Gilt Auction Conduct	has the meaning given to it in paragraph 7.7(a) of this Decision
gilt basis	the purchase of a gilt and the sale of a gilt future (or vice versa)
gilt buy-back auction	an auction conducted by the Bank of England to buy-back gilts
Gilt Buy-Back Auction Conduct	has the meaning given to it in paragraph 7.7(c) of this Decision
gilt future	a derivative contract to buy or sell a gilt on a specified date at a predetermined price
gilt switch	the purchase of one specific gilt and the sale of another specific gilt
HSBC	together, HSBC Bank Plc and its ultimate parent company HSBC Holdings Plc
IDB	an inter-dealer broker, to which GEMMs had exclusive trading and viewing access
Key Individual	certain traders employed by the Parties, as detailed in Chapter 3 of this Decision
mid-price / mid / middle	has the meaning given to it in paragraph 4.21 of this Decision
Morgan Stanley	together, Morgan Stanley & Co. International Plc and its ultimate parent company Morgan Stanley
offer / offering	submitting an offer in a gilt buy-back auction
offer gilt	a specific gilt within the relevant maturity range for a gilt buy-back auction, which can therefore be, or is, the subject of an offer
offer price	a price offered in a gilt buy-back auction for selling that volume of that gilt
offer volume	a specific volume offered in a gilt buy-back auction for an offer gilt
Party	has the meaning given to it in paragraph 1.1 of this Decision
Party to the CMA's Investigation	Each of Citi, Deutsche Bank, HSBC, Morgan Stanley and RBC
Penalties Order	the Competition Act 1998 (Determination of Turnover for Penalties) Order 2000, SI 2000/309
Penalty Guidance	CMA, <i>Guidance as to the appropriate amount of a penalty</i> , CMA73, 16 December 2021
pricer	a Party's pricing software
RBC	together, RBC Europe Limited and its ultimate parent company Royal Bank of Canada
Relevant Market	the bidding for gilts in gilt auctions, trading of gilts and gilt asset swaps, and offering of gilts in gilt buy-back auctions globally
Requests for Information	an informal information request or a notice issued under section 26 of the Act

Term	Definition
tap auction	a gilt auction for the issuance of additional volumes of a single specific gilt already in issue
trading / trade	individually and collectively, the trading of gilts and the trading of gilt asset swaps
Trading Conduct	has the meaning given to it in paragraph 7.7(b) of this Decision
trading of gilt asset swaps	the outright purchase or sale of an individual gilt asset swap (either as a single trade or in two separate legs)
trading of gilts	individually and collectively, the outright purchase or sale of an individual gilt and a gilt switch trade
trading price	a price in relation to a trade or potential trade of gilts and gilt asset swaps by a dealer

Annex B: Citi-DB Infringement

Introduction

- B.1 This Annex sets out the CMA's assessment of the Citi-DB Communications that the CMA relies on to evidence the Citi-DB Conduct (as relevant to the Citi-DB Infringement) as summarised in paragraphs 7.9, 7.17 and 7.19 of this Decision. It consists of Bloomberg chats between Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) that took place in 'temporary'¹ Bloomberg chatrooms in relation to certain gilts and gilt asset swaps. The relevant Citi-DB Communications are referred to by the unique reference numbers (ie URNs) assigned to them by the CMA.
- B.2 The CMA has indicated in bold in each chat extract table and in the text accompanying each chat those disclosures which it has concluded constitute infringing conduct in relation to the Citi-DB Infringement. All other exchanges between Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) which are set out in this Annex B are included for context only.

Citi-DB, A-URN-000047 – 18 July 2012²

Disclosure of future trading prices for 5-year gilt asset swap (14:49:29 to 14:50:32)

- B.3 On 18 July 2012, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) engaged in **Trading Conduct** in that they disclosed to each other their respective **future trading prices** for a gilt switch or a gilt asset swap. At 14:49:54,³ Citi ([Citi Trader]) stated his recent trading prices for a product, stating that he had recently traded that product at prices of '39.5' and '40.5' (*'i've let some go yesterday at 39.5 and some more today at 40.5'*). The CMA infers that, in the communication at this timestamp and the timestamps that followed, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) were referring to the same financial product, which was either a gilt switch or a gilt asset swap.⁴

¹ A temporary chatroom needed to be set up daily and did not retain participants' message history after they exited the room (see B-URN-000502068, page 224). The CMA has also received emails (and attachments) sent and received by the Key Individuals via the Bloomberg email system.

² A-URN-000047. Deutsche Bank also produced a chat on this date between Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]), A-URN-000278.

³ Timestamps from this chat are recorded in UTC, which was one hour behind UK time on that date (BST). Therefore, 14:49:29 should be read as 15:49:29.

⁴ The CMA's inference is supported by the evidence of [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) in interview: [Citi Trader] (Citi) said in interview that he interpreted '*the figures 39.5, 40.5, 45, 30, 33 and 28*' used in the communication used by Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) respectively as all prices related to the same gilt switch, on re-reading the extract he could not be '*hundred per cent*' confident to which one of two specific gilt switches it related (B-URN-000502063, pages 130 to 131).

[DB Trader] (Deutsche Bank)'s evidence in interview was that the extract was '*all about the same product*', namely a gilt asset swap including a gilt maturing in five years (B-URN-000502069, page 229).

- B.4 Under the same timestamp, Citi ([Citi Trader]) then disclosed to Deutsche Bank ([DB Trader]) his **future trading price**⁵ for the same product, stating that he intended to trade that product again at a price of '42' (**'Targeting 42 for my last bit.'**).
- B.5 Deutsche Bank ([DB Trader]) then disclosed his **future trading price** and also his recent trading price for the same product, stating that he intended to trade the product at a price of '45' having previously traded it at a price of '30' and (**'yeah my target is 45 before today' 'bought at 30'** at 14:50:09 and 14:50:14). He then disclosed further information regarding his **future trading price**, stating that he might also trade that product before it reached that price of '45' (**'might let them before then though'** at 14:50:32).⁶

Chat extract table – 14:49:29 to 14:50:32

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
14:49:29 14:49:46	Deutsche Bank ([DB Trader]) <i>got hit in 95m 49s just before the minutes which worked out pretty well for once</i>
14:49:54	Citi ([Citi Trader]) <i>they've actually been good. i've let some go yesterday at 39.5 and some more today at 40.5. Targeting 42 for my last bit. In 1'17.</i>
14:50:09 14:50:14	Deutsche Bank ([DB Trader]) <i>yeah my target is 45 before today bought at 30</i>
14:50:25	Citi ([Citi Trader]) <i>yeah sames. I bought 33 and 28.</i>
14:50:32	Deutsche Bank ([DB Trader]) <i>might let them before then though</i>

⁵ [Citi Trader] (Citi) said in interview in relation to the communication in this timestamp: 'That means I only have a little bit left and in an ideal world I would like to sell it at 42' and, separately, 'effectively what I'm saying is, in my opinion, I can go up to 42.' (B-URN-000502063, pages 129 and 132).

[DB Trader] (Deutsche Bank)'s evidence in interview was that he interpreted Citi ([Citi Trader]) as 'telling me that he sold some at 39 and a half and some at 40 and a half and he's selling the last bit at 42' and, separately 'he's given me his level for the next bit.' (B-URN-000502069, pages 229 to 230).

⁶ [DB Trader] (Deutsche Bank)'s evidence in interview was that the communication in this timestamp meant he 'might sell them before the 45' price (B-URN-000502069, page 230).

[Citi Trader] (Citi) gave the following explanation in interview of the communication in this timestamp: 'that's his opinion of where he thinks it could go' and 'I think what he's saying is that while his eventual target might be 45, you know, he, he might change his mind and sell before that, which he's entitled to do.' (B-URN-000502063, page 129).

**Disclosure of offer price parameters for 2049 and 2052 gilt buy-back auctions
(12:56:07 to 13:01:07)**

- B.6 On 31 July 2012, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) engaged in **Gilt Buy-Back Auction Conduct** in that they disclosed to each other their offer price parameters for the gilt buy-back auction that afternoon.
- B.7 At 12:56:07,⁸ some 50 minutes before the close of the gilt buy-back auction,⁹ Deutsche Bank ([DB Trader]) said that he intended to offer a volume of £50 million nominal ('50m') of 2052 gilts ('52s') specifically ('*will sell 50m 52s today*') in the gilt buy-back auction. At 12:57:23 Citi ([Citi Trader]) asked Deutsche Bank ([DB Trader]) whether Deutsche Bank ([DB Trader]) intended to submit '*aggressive*' offer prices, ie lower, more competitive offer prices ('*u planning to be aggressive with that?*'),¹⁰ and Citi ([Citi Trader]) then stated his offer volumes for the gilt buy-back auction, by stating that he was contemplating offering £25 million nominal ('25mm') of either the same gilts, ie the 2052 gilts ('25mm 52s'), or 2049 gilts ('49s') '*I am thinking that with this gilt outperformance, i may just sell 25mm 52s myself*' 'or 49s' '*maybe keep the 52s*' at 12:57:23 to 12:57:36).¹¹
- B.8 In response to Citi ([Citi Trader])'s question about how '*aggressive*' he intended his offer price to be, Deutsche Bank ([DB Trader]) disclosed his **offer price parameters**, stating that he would offer at mid-price ('*mids*') or higher, depending on the price movement of '*longs*', ie gilts maturing in 30 years relative to gilts maturing in ten years ('*mids*' '*depending on where longs are*' '*if longs cheapen up more tempted to sell high*') at 13:00:37 to 13:00:56).^{12, 13} Given the context,

⁷ A-URN-000050. Deutsche Bank also produced a chat on this date between Deutsche bank ([DB Trader]) and Citi ([Citi Trader]), A-URN-000205.

⁸ Timestamps from this chat are recorded in UTC, which was one hour behind UK time on that date (BST). Therefore, 12:56:07 should be read as 13:56:07.

⁹ B-URN-000501682, tab '31 Jul 12 – Results', indicates that in the competitive gilt buy-back auction on the date of this chat the Bank of England received offers to sell 3.75% 2052 and 4.25% 2049 gilts (among others).

¹⁰ [DB Trader] (Deutsche Bank) said in interview that he interpreted Citi ([Citi Trader]) as '*basically asking like am I -- am I -- because it -- you know, am I going to be -- sell them aggressively? Am I -- you know, am I going to go a long way through mid or, you know, am I just going to offer at mid or am I going to offer above mid.*' (B-URN-000502068, page 247).

¹¹ [Citi Trader] (Citi) explained in regard to this communication that: '*I might just sell fiv -- 25 million of 52s. And actually, I might actually sell 49s and keep the 52s, I haven't made my mind up.*' [Citi Trader] (Citi) also confirmed in interview that he was '*definitely talking about this reverse auction*' (B-URN-000502063, pages 208 and 209).

¹² [DB Trader] (Deutsche Bank) said in interview that '*at this point I've given him my, my strategy for the buyback but with a caveat of, um, where longs are, so that's where 10s, 30s goes. So, if in a scenario where if 10s, 30s steepen then -- in the next 45 minutes -- then I won't offer them at mids. You know, I'll change it. I'll offer them higher.*' [DB Trader] (Deutsche Bank)'s evidence in interview was also that '*high*' in that context referred to '*higher than the DMO mid*', ie the DMO's composite mid-price (B-URN-000502068, pages 246 and 250).

[Citi Trader] (Citi) also said in interview that in this context '*[l]ongs*' referred to the '*10s 30s curve*' (B-URN-000502063, page 208).

¹³ [DB Trader] (Deutsche Bank)'s evidence in interview was that '*mids*' would have '*probably*' referred to the DMO's composite mid-price (B-URN-000502068, page 249).

[Citi Trader] (Citi)'s evidence in interview was that he interpreted Deutsche Bank ([DB Trader]) as saying that he '*plans to sell them [ie gilts in the gilt buy-back auction] at mids but that would depend on where longs are*' (B-URN-000502063, page 208).

the CMA infers that offer price (**'mids'**) related to the '50m 52s' for the gilt buy-back auction offer that Deutsche Bank ([DB Trader]) referred to at 12:56:07.

- B.9 Citi ([Citi Trader]) then disclosed his **offer price parameters**, stating that he '*may*' offer in the gilt buy-back auction at a price of '**5 cents**' above (ie '**up**' from) mid-price (**'i may put something in 5 cents up...though that is just noise'** at 13:01:07).¹⁴
- B.10 Both Parties later confirmed to each other that they had submitted offers in the gilt buy-back auction.¹⁵

Chat extract table – 12:56:07 to 13:01:07

Timestamp (UTC)	Party (Key Individual) Extract
12:56:07	Deutsche Bank ([DB Trader]) <i>will sell 50m 52s today</i>
12:57:23 12:57:31 12:57:36	Citi ([Citi Trader]) <i>u planning to be aggressive with that? I am thinking that with this gilt outperformance, i may just sell 25mm 52s myself.</i> <i>or 49s</i> <i>maybe keep the 52s</i>
13:00:37 13:00:46 13:00:56	Deutsche Bank ([DB Trader]) mids depending on where longs are if longs cheapen up more tempted to sell high
13:01:07	Citi ([Citi Trader]) i may put something in 5 cents up...though that is just noise.

¹⁴ [Citi Trader] (Citi) said in interview in relation to this communication that: '*I may look to sell some bonds 5 cents above my own mid*' (B-URN-000502063, page 213).

[DB Trader] (Deutsche Bank)'s evidence in interview was that he interpreted '5 cents up' as referring to an offer price '*not that much higher than mid*' (B-URN-000502068, page 250).

¹⁵ See timestamps at 13:44:50 ('*i put some 49s in at 45*') and 13:46:29 ('*i put my 52s at 75*'). [DB Trader] (Deutsche Bank) explained that in the communications in those timestamps referred to the offers he and Citi ([Citi Trader]) had made in the gilt buy-back auction. He said that '*the buyback is closed once I have disclosed the price, I've put in my 52s. Um, [Citi Trader] has put his in, 10 -- you know, he's told me he's 49s*' (B-URN-000502068, page 254).

Citi-DB, A-URN-000051 – 9 August 2012¹⁶

Disclosure of future trading price and assessment of price for 2032 and 2034 gilts related to a gilt switch (09:51:18 to 09:59:18)

- B.11 On 9 August 2012, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) engaged in **Trading Conduct** in that:
- (a) Deutsche Bank ([DB Trader]) disclosed his **future trading price** for a gilt switch consisting of 2032 and 2034 gilts.
 - (b) Deutsche Bank ([DB Trader]) disclosed his **assessment of price** for gilts related to that gilt switch, ie the 2032 and 2034 gilts, as well as other gilts.
- B.12 At 09:58:02,¹⁷ Deutsche Bank ([DB Trader]) disclosed to Citi ([Citi Trader]) his **future trading price** for '32/34s', ie a gilt switch consisting of 2032 and 2034 gilts:¹⁸ at that timestamp, Deutsche Bank ([DB Trader]) said that he would 'love' to trade that gilt switch at a price of '15.5' (***would [would] love to put 32/34s on at 15.5***).¹⁹
- B.13 Earlier in the same Bloomberg chat, at 09:52:59 and 09:53:09, following a discussion about 2030 gilts ('30s'),²⁰ and in the context of the Citi ([Citi Trader])'s uncertainty about trading conditions,²¹ Deutsche Bank ([DB Trader]) disclosed to Citi ([Citi Trader]) his **assessment of price** for 2030 gilts and 2032 gilts respectively by reference to the relative value of those gilts, as calculated by Deutsche Bank's internal yield curve analysis, ie his '*spline*'. At those timestamps, Deutsche Bank ([DB Trader]) disclosed that his '*spline*' data²² was showing that

¹⁶ A-URN-000051. Deutsche Bank also produced a chat on this date between Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]), A-URN-000281.

¹⁷ Timestamps from this chat are recorded in UTC, which was one hour behind UK time on that date (BST). Therefore, 09:58:02 should be read as 10:58:02.

¹⁸ [DB Trader] (Deutsche Bank)'s evidence in interview was that in the communication in this timestamp he was referring to 'selling 32s [...] and buying the 34s' which he could have done in various ways. Specifically, he said as follows: 'possibly in the broker market, possibly in the auction or by selling 32s in the broker market before and buying the 34s in the auction. Or possibly by buying the 34s in the auction and selling the 32s to the Bank of England later that day' (B-URN-000502069, page 138).

¹⁹ [DB Trader] (Deutsche Bank)'s evidence in relation to the communication in this timestamp was that 'I'm just saying that I – I, I would, I quite like to get a trade on if it got there' (B-URN-000502069, page 138).

[DB Trader] (Deutsche Bank) also described this extract from 09:52:59 to 09:59:18 as concerning 'what I would like to do in terms of trading strategy' (B-URN-000502069, page 128).

[Citi Trader] (Citi)'s evidence in relation to this extract was that he interpreted Deutsche Bank ([DB Trader]) as having 'a level as to where he would be interested to do that trade' and separately 'I think he's just talking about a price level at which he would feel comfortable being involved in that switch trade.' (B-URN-000502064, pages 73, 74 and 78).

²⁰ See eg 09:51:38

²¹ See eg 09:51:36 ('what the [expletive] is going on there?')

²² [DB Trader] (Deutsche Bank)'s evidence in interview was that '*spline*' referred to a 'yield curve' model which was used to compare gilt yields and separately that 'It's used -- it can be used for risk -- for assessing relative value. And then relative value is used for assessing trading strategy' and an 'an input into a trading strategy'. (B-URN-000502069, pages 128 and 133).

[Citi Trader] (Citi) described a '*spline*' as a '*methodology [...] through the yield curve to determine what's cheap and what's rich*' (B-URN-000502064, page 74).

'30s' were expensive by 4.9 basis points ('**4.9bps rich**' at 09:52:59), and that '32s' were also expensive by 3.45 basis points ('**3.45bps rich**' at 09:53:09).

- B.14 The CMA infers that Deutsche Bank ([DB Trader])'s spline analysis was proprietary to Deutsche Bank: [DB Trader] (Deutsche Bank)'s evidence in interview was that there were different methodologies used in developing the 'spline' and dealers' splines would '*[n]ot necessarily*' produce the same result.²³ [Citi Trader] (Citi)'s evidence in interview was that each bank's spline data was not '*publicly available*'.²⁴
- B.15 Deutsche Bank ([DB Trader]) then disclosed his **assessment of price** for other gilts by reference to their relative value: he stated that 2039, 2040, 2049 and 2052 gilts represented better value ('**39/40/49/52s are the cheap ones**' at 09:53:30)²⁵ and that the prices for a gilt switch consisting of 2032 and 2042 gilts were '**veyr [very] wrong**' in light of the prevailing prices for a gilt switch consisting of 2022 and 2042 gilts ('**i just think 32/42 is veyr [very] wrong with 22/42 here**' at 09:53:45).²⁶
- B.16 At 09:57:54, Deutsche Bank ([DB Trader]) then disclosed to Citi ([Citi Trader]) his **assessment of price** for 2034 gilts ('34s') to move ahead of a gilt auction of a 4.5% 2034 gilt due to take place the following week,²⁷ stating that he expected there to be demand ('**go bid**') for those gilts in the coming week ('**i suspect the 34s will go bid into next week**').²⁸
- B.17 The CMA infers that, in disclosing his **assessment of price** in relation to various gilts including 2032 and 2034 gilts shortly before disclosing his future trading price for the gilt switch consisting of 2032 and 2034 gilts, as set out in paragraph B.12 above, Deutsche Bank ([DB Trader]) was disclosing his reasons for that future trading price. The CMA's inference is consistent with [DB Trader] (Deutsche Bank)'s evidence in interview, in which he noted the relationship between his

²³ B-URN-000502069, pages 129 to 130.

²⁴ [Citi Trader] (Citi)'s evidence in interview was that 'spline' analysis was '*not publicly available so you generally get to build your own*' and separately '*I think that each bank's spline would not be public.*' (B-URN-000502064, pages 76 and 77).

²⁵ [DB Trader] (Deutsche Bank)'s evidence in interview in relation to the communication in this timestamp was that a dealer would '*want to buy them [gilts] if they are cheaper than they normally are, if that kind of makes sense.*' (B-URN-000502069, page 134).

²⁶ [DB Trader] (Deutsche Bank)'s evidence in interview in relation to the communication in this timestamp was that: '*if you can imagine a curve like 32s is -- 32s is the middle point of 22s and 42s, so it should be quite, you know, it should be quite correlated and should be quite easy to um, you know, map out -- map out where that should be looking at regressions. Um so I think that the comment I'm making here is that looking at where 22s 42s is, 32s 42s is wrong, that's what I'm saying. I'm just making a market -- market observation based on er looking at regressions. Um again, all publicly available information.*' (B-URN-000502069, page 132).

[Citi Trader] (Citi) also said that Deutsche Bank ([DB Trader]) was referring to gilt switches in the communication in this timestamp (B-URN-000502064, pages 73 and 75).

²⁷ B-URN-000500744, UK DMO Gilt Market Issuance Calendar for 2012-2013.

²⁸ [DB Trader] (Deutsche Bank)'s evidence in interview was as follows: '*So, this is just me making um given the price action um making a bit of a uhm, an expectation and saying what I think will happen ahead of the auction. Maybe they're cheap -- maybe they're cheap so I'm expecting them to go bid ahead of the auction or maybe I'm just being cynical and that everything always goes bid ahead of the auction, I'm not sure.*' (B-URN-000502069, page 136).

views on the relative value of 2032 and 2034 gilts and his statement that he would *'love to put 32/34s on at 15.5'* (at 09:58:02).²⁹

Chat extract table – 09:51:18 to 09:59:18

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
09:51:18 09:51:29 09:51:36	Citi ([Citi Trader]) <i>well, its going ok. i'm doing well on the 52s fly and the 25/34/42 fly but i am getting canned on short 30s v 27s and 34s. what the [expletive] is going on there?</i>
09:51:38	Deutsche Bank ([DB Trader]) <i>30s and 32s are ricolous</i>
09:51:43	Citi ([Citi Trader]) <i>Seen Asian SWF buying of 27s</i>
09:51:45	Deutsche Bank ([DB Trader]) <i>soooooo expensive</i>
09:51:51	Citi ([Citi Trader]) <i>and seen UK RM buying of 34s.</i>
09:51:58	Deutsche Bank ([DB Trader]) <i>i like 34s vs 32s</i>
09:51:59	Citi ([Citi Trader]) <i>so don't get the 27/30/34 fly</i>
09:52:14 09:52:33	Deutsche Bank ([DB Trader]) <i>27/30s has been flattening as much as 10/30s just wrong</i>
09:52:36	Citi ([Citi Trader]) <i>yup, and 22.27 has seriously lagged</i>
09:52:59 09:53:09 09:53:30 09:53:45 09:54:13 09:54:32 09:54:43 09:54:54 09:55:05 09:57:54 09:58:02	Deutsche Bank ([DB Trader]) <i>on my spline 30s are 4.9bps rich 32s are 3.45bps rich 39/40/49/52s are the cheap ones i just think 32/42 is veyr wrong with 22/42 here but august is silly season i sold the last of my 52s today at 15.5 have some more on desk propr book but running pretty flat them now probably means they can perform i suspect the 34s will go bid into next week woudl love to put 32/34s on at 15.5</i>
09:59:18	Citi ([Citi Trader]) <i>yeah, i agree with all the above. I got [an individual at a client] into a 39/42/49 fly in pretty decent size. she's happy with that i bet.</i>

²⁹ [DB Trader] (Deutsche Bank)'s evidence in interview was as follows: 'I say it in the next line, say "I'd love to put 32s 34s on at 15.5". So I think, you know, maybe – because I made a previous comment about how the 32s looked rich against the spline, so maybe my comment is more that, okay, they're rich against the spline, 34s either go bid against the 32s because the 32s are very rich against the spline already.' and 'Even though, you know, even though there's an auction er coming up, the 34s because the 32s are very rich against the spline, will go bid ahead of the auction.' (B-URN-000502069, pages 136 to 137).

Citi-DB, A-URN-000053 – 16 August 2012³⁰

Summary

B.18 On 16 August 2012, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) engaged in **Gilt Auction Conduct** in that Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) disclosed to each other their **bid prices** and Citi ([Citi Trader]) disclosed to Deutsche Bank ([DB Trader]) his **bid price parameters** for a 4.5% 2034 gilt.

Disclosures of bid prices and bid price parameters during the tap gilt auction for a 4.5% 2034 gilt³¹ (08:50:39 to 08:51:26 and 09:12:48 to 09:14:14)

B.19 At 08:50:39,³² some 40 minutes before the close of the gilt auction, Citi ([Citi Trader]) disclosed to Deutsche Bank ([DB Trader]) information on his **bid prices** in relation to certain bid volumes for the gilt auction, by saying that *'if it were now'* he would submit three bids in the gilt auction: the first for a volume of £20 million nominal ('20') at a price of '**16**', the second for a volume of £20 million nominal ('20 more') at a price of '**08**', and the third for a volume of £50 million nominal ('50') at a price of '**127.75**' (*'i think if it were now, i'd bid 16 for 20, 08 for 20 more and 127.75 for 50.'*).³³

B.20 At 08:51:15, Deutsche Bank ([DB Trader]) then disclosed his **bid prices** in relation to those bid volumes for the gilt auction by saying that he would bid similarly, save that he would bid a higher price ('**20**'), than Citi ([Citi Trader]), for his first bid of £20 million nominal (*'my first 20'*).³⁴

³⁰ A-URN-000053. Deutsche Bank also produced a chat on this date between Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]), A-URN-000282.

³¹ B-URN-000500744, UK DMO Gilt Market Issuance Calendar for 2012-2013.

³² Timestamps from this chat are recorded in UTC, which was one hour behind UK time on that date (BST). Therefore, 08:50:39 should be read as 09:50:39.

³³ [Citi Trader] (Citi)'s and [DB Trader] (Deutsche Bank)'s evidence in interview was they each interpreted Citi ([Citi Trader]) as disclosing what his bid prices ('16' '08' and '75') and bid volumes ('20' '20 more' and '50') would be if he were to bid at that time. [Citi Trader] (Citi) said in interview in respect of the communication in this timestamp as follows: *'so there's 40 minutes to the auction, if it were to happen right now, I'd probably bid 16, that's the last two digits off the decimal, for 20 million, 8 for 20 million more and 127.75 for 50 million, so I bid 128.16 for 20 million, 128.08 for 20 million more and 127.75 for 50'* and separately that those prices *'would have been in reference to my own mid'* (B-URN-000502063, pages 151 and 153).

[DB Trader] (Deutsche Bank)'s evidence in interview was that he interpreted Citi ([Citi Trader]) as referring to the following: *'That would be his bid -- his three bids for the 34s bond, I believe. So I guess the, the top bid would be 128.16, the next bid would be 128.08, both for the 20 million volume and then a third bid would be 127.75 for 50 million volume.'* (B-URN-000502069, page 107).

³⁴ The CMA's inference is supported by [DB Trader] (Deutsche Bank)'s and [Citi Trader] (Citi)'s respective comments in interview:

[DB Trader] (Deutsche Bank) confirmed in interview that he was referring to '**128.20**' and '**20 million**' (B-URN-000502069, page 108).

[Citi Trader] (Citi)'s evidence in interview was that Deutsche Bank ([DB Trader]) was saying that: *'perhaps I would actually be higher than you, maybe I would bid 128.20 for my first 20'* (B-URN-000502063, page 151).

Chat extract table – 08:50:39 to 08:51:26

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
08:50:39	Citi ([Citi Trader]) <i>i think if it were now, i'd bid 16 for 20, 08 for 20 more and 127.75 for 50.</i>
08:51:15 08:51:21 08:51:26	Deutsche Bank ([DB Trader]) <i>i would be similar... maybe 20 for my first 20 cos i am away and just want to cover</i>

- B.21 At 09:12:48 and 09:12:54, fewer than 20 minutes before the gilt auction closed, each of Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) informed the other of their respective low interest in bidding in the ongoing gilt auction: Citi ([Citi Trader]) stated '*i'm still not bidding for many*' and Deutsche Bank ([DB Trader]) stated '*me noither [neither]*'.³⁵
- B.22 At 09:12:56 to 09:13:07, Citi ([Citi Trader]) then disclosed his **bid price parameters** in relation to certain bid volumes for the gilt auction ('**20 on mids and 20 5 c back**', '**and 50 somewhere in a blackhole**'). The CMA infers that these disclosures referred to three bids in the gilt auction:³⁶
- (a) one for £20 million nominal at mid-price ('**20 on mids**'); and
 - (b) a second for £20 million nominal at 5 cents lower than mid-price ('**20 5 c back**'); and
 - (c) a third for £50 million nominal ('50') '**somewhere in a blackhole**'. The CMA infers that in this disclosure Citi ([Citi Trader]) was disclosing that one of his bids would be at a particularly low price.³⁷ Citi ([Citi Trader]) then confirmed at 09:13:54 that he would submit a bid would be '**60 c back**' referring to 60 cents lower than mid-price ('**mate, i'm bidding them 60c back**').

³⁵ [DB Trader] (Deutsche Bank) said in interview that '*the comments the previous day, where I say "It's rich --" and I say "It's richened up", so my appetite is less than usual, I think it's probably [...] in line with that*' (B-URN-000502069, page 111).

³⁶ The CMA's inference is supported by [Citi Trader] (Citi)'s and [DB Trader] (Deutsche Bank)'s respective evidence: [Citi Trader] (Citi) said in interview: '*I'm going to bid for 20 million at mid", that is my internal mid "at 20 5 cents back", and then I bid for 50 million somewhere in a black hole. By that, I mean that I bid 50 million somewhere really far back*'. [Citi Trader] (Citi)'s evidence in interview was that '*5 cents back*' referred to '*Below mid*' and his '*own internal mid*' (B-URN-000502063, pages 154 and 155).

[DB Trader] (Deutsche Bank)'s evidence in interview was that the communication in this timestamp referred to '*Er his bids for the 34s auctions. One I believe would be on mid-market and the other one would be 5 cents er discount to the mid-market.[...] 20 million are the volumes*' (B-URN-000502069, page 110).

³⁷ The CMA's inference is supported by [Citi Trader] (Citi)'s and [DB Trader] (Deutsche Bank)'s respective evidence: [DB Trader] (Deutsche Bank)'s evidence in interview was that he interpreted Citi ([Citi Trader])'s third bid as '*a low bid*' (B-URN-000502069, page 110).

[Citi Trader] (Citi)'s evidence in interview was that he meant he would '*bid 50 million somewhere really far back*' (B-URN-000502063, page 154).

B.23 Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) each subsequently confirmed that he bid in the gilt auction.³⁸

Chat extract table – 09:12:48 to 09:14:01

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
09:12:48	Citi ([Citi Trader]) <i>i'm still not bidding for many</i>
09:12:54	Deutsche Bank ([DB Trader]) <i>me noither</i>
09:12:56 09:13:07	Citi ([Citi Trader]) <i>20 on mids and 20 5 c back and 50 somewhere in a blackhole</i>
09:13:24	Deutsche Bank ([DB Trader]) <i>u know if u get that 50 it will be 50c lower beforee u book them</i>
09:13:54 09:14:01	Citi ([Citi Trader]) <i>mate, i'm bidding them 60c back that's failed auction territory</i>

³⁸ See timestamps 10:19:31 to 10:20:02 where [Citi Trader] (Citi) stated at 10:19:31 and 10:20:00: '*i missed 10mm 07 and 03 were my bids*' and [DB Trader] (Deutsche Bank) then stated at 10:20:02 '*i paid 10 and 5 so got slightly scaled*'.

Citi-DB, A-URN-000056 – 4 September 2012³⁹

Disclosure of offer price parameters in a gilt buy-back auction (13:15:33 to 13:16:13)

- B.24 On 4 September 2012, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) engaged in **Gilt Buy-Back Auction Conduct** in that Citi ([Citi Trader]) disclosed to Deutsche Bank ([DB Trader]) his **offer price parameters** in a gilt buy back auction.
- B.25 At 13:15:33 GMT,⁴⁰ some 30 minutes before the ongoing gilt buy-back auction closed,⁴¹ Deutsche Bank ([DB Trader]) stated to Citi ([Citi Trader]) that he was '*not sure*' about the '*apf*', ie the asset purchase facility ('*not sure about apf*'). The CMA infers from the timing of this statement that Deutsche Bank ([DB Trader]) was referring to the gilt buy-back auction taking place that afternoon.⁴²
- B.26 In reaction, Citi ([Citi Trader]) disclosed information regarding his **offer price parameters** for the same gilt buy-back auction, stating that he would '*probably*' offer a volume of £20 million nominal ('*20mm*') at an offer price just below mid-price ('*small through*') and another £60 million nominal ('*60mm*') at mid-price ('*at mkt*') ('*i'll probably offer 20mm small through and another 60mm at mkt*' '*just setting up for tomorrow*' at 13:16:05 to 13:16:13).⁴³
- B.27 Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) each later confirmed to the other that he had submitted offers in the gilt buy-back auction.⁴⁴

Chat extract table – 13:15:33 to 13:16:13

Timestamp (GMT)	Party (Key Individual) <i>Extract</i>
13:15:33	Deutsche Bank ([DB Trader]) <i>not sure about apf... [...]</i>

³⁹ A-URN-000056. Deutsche Bank also produced a chat on this date between Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]), A-URN-000283.

⁴⁰ Timestamps from this chat are recorded in UTC, which was one hour behind UK time on that date (BST). Therefore, 13:15:33 should be read as 14:15:33.

⁴¹ B-URN-000500757, tab '04SEP12' indicates that in the competitive gilt buy-back auction on the date of this chat the Bank of England received offers to sell gilts with the following coupons and maturities: 4.25% 2027; 6% 2028; 4.75% 2030; 4.25% 2032; 4.5% 2034; 4.25% 2036; 4.75% 2038; 4.25% 2039; 4.25% 2040; 4.25% 2046; 4.25% 2049; 3.75% 2052; 4.25% 2055; 4% 2060.

⁴² In that regard, [Citi Trader] (Citi)'s evidence in interview was that '*The APF takes place later that day*' (B-URN-000502064, page 53).

⁴³ [Citi Trader] (Citi)'s evidence in interview was that in the communication in this timestamp he was saying '*i'll probably offer 20 million a little through, so a little aggressively, and another 60 million at mid, er -- at my mid*' and that offering '*small through*' referred to offering '*a little bit below my mid*' (B-URN-000502064, pages 53 and 54).

[DB Trader] (Deutsche Bank) said in interview that he interpreted being '*through*' mid-price in that context as referring to a price '*cheaper than mid*', '*small*' as referring to an offer '*a little bit cheaper but not, not that much cheaper*', and being '*at mkt*' as referring to being '*at market*', and that Citi ([Citi Trader]) had '*just given me some information about his QE strategy*' (B-URN-000502069, pages 65 to 67).

⁴⁴ See 13:47:09 to 13:50:17, at which the Parties discussed the offers they had submitted in the gilt buy-back auction, including [Citi Trader] (Citi) stating '*well, i offered 52s @ 45 in the end*' at 13:47:09 and [DB Trader] (Deutsche Bank) stating '*i offered 499 on those*' at 13:47:23.

Timestamp (GMT)	Party (Key Individual) <i>Extract</i>
13:15:36	<i>[...]</i>
13:16:05 13:16:13	Citi ([Citi Trader]) <i>i'll probably offer 20mm small through and another 60mm at mkt.</i> <i>just setting up for tomorrow</i>

Disclosures of bid prices and assessment of bid prices in gilt auction of a 4.5% 2042 gilt (09:27:08 to 09:32:29)

- B.28 On 5 September 2012, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) engaged in **Gilt Auction Conduct** in that:
- (a) Citi ([Citi Trader]) disclosed to Deutsche Bank ([DB Trader]) his **assessment of bid prices** in a tap gilt auction of a 4.5% 2042 gilt.
 - (b) Deutsche Bank ([DB Trader]) disclosed his **bid prices** for the same tap gilt auction of a 4.5% 2042 gilt.
- B.29 At 09:27:08 and 09:27:13,⁴⁶ a few minutes before the close of the tap gilt auction of a 4.5% 2042 gilt,^{47,48} Citi ([Citi Trader]) asked Deutsche Bank ([DB Trader]) for his views on the price he would have to bid to be successful in the gilt auction (**'where do u reckon? 79?'** at 09:27:08 and **'if u wanna get?'** at 09:27:13). [Citi Trader] (Citi)'s evidence in interview was that he asked the question to Deutsche Bank ([DB Trader]) to get a 'sense check' as he was 'not entirely sure' regarding the gilt auction.⁴⁹ The CMA infers that, in doing so, Citi ([Citi Trader]) disclosed information on his **assessment of bid prices** on the gilt auction, ie that the specific price ('79') was the price at which a dealer would have to bid to be successful in the gilt auction.⁵⁰

⁴⁵ A-URN-000057. Deutsche Bank also produced a chat on this date between Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]), A-URN-008380.

⁴⁶ Timestamps from this chat are recorded in UTC, which was one hour behind UK time on that date (BST). Therefore, 09:27:08 should be read as 10:27:08.

⁴⁷ B-URN-000500744, UK DMO Gilt Market Issuance Calendar for 2012-2013.

⁴⁸ [DB Trader] (Deutsche Bank)'s and [Citi Trader] (Citi)'s evidence in interview was that the extract related to the 4.5% 2042 gilt auction that day:

[DB Trader] (Deutsche Bank) said in interview *'It's, I believe, a gilt auction. Erm, er, 4 and a half per cent of 42s. So, a -- it's a 30-year auction.'* (B-URN-000502069, page 232).

[Citi Trader] (Citi) said in interview *'this is on the 5 September 2012. Obviously there is an auction of 4.5% 2042s. So at this point, about approximately three minutes before the auction'* (B-URN-000502063, page 157).

⁴⁹ [Citi Trader] (Citi) said in interview: *'what I'm saying to him is, "if I was really quite keen to get these bonds, do you think 79 is the right price to bid in your opinion?" So, effectively I'm just getting a bit of a sense check' and 'I've checked with [DB Trader] and one, "Look, you know, I'm not entirely sure, do you think 79 is a sensible price to pay?" and he says he's "bidding 80 and 75"'* (B-URN-000502063, page 158).

⁵⁰ [Citi Trader] (Citi)'s evidence in interview was that he would have been considering bidding '79' in the gilt auction. He said: *'So, effectively I'm just getting a bit of a sense check. I've probably had a similar conversation with [a Citi trader colleague], where I said to him, "Do you think we should bid 79?" and then I've checked with [DB Trader] and one, "Look, you know, I'm not entirely sure, do you think 79 is a sensible price to pay?" and he says he's "bidding 80 and 75". The auction then closes at 9:30 and I say, "Well, actually I bid 85", and he says, well, he "bid 86 and 81 and some at 71", and those last three lines occur after the auction has shut, but before the results have come out.'* (B-URN-000502063, page 158).

[DB Trader] (Deutsche Bank)'s evidence in interview was that he interpreted Citi ([Citi Trader])'s statement as follows: *'I think that, you know, means -- erm, that means, like, "if you want to get the bonds, you bid 79"'* (B-URN-000502069, page 232).

- B.30 Some two minutes before the gilt auction closed, Deutsche Bank ([DB Trader]) responded by disclosing his **bid prices** ('80' and '75') in the gilt auction ('**yeah i'm bidding 80 and 75**' at 09:27:51).⁵¹
- B.31 Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) each subsequently confirmed that he bid in the gilt auction (at 09:31:38 to 09:32:29).⁵²

Chat extract table – 09:27:08 to 09:32:29

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
09:27:08 09:27:13	Citi ([Citi Trader]) <i>where do u reckon? 79? if u wanna get?</i>
09:27:51	Deutsche Bank ([DB Trader]) <i>yeah i'm bidding 80 and 75</i>
09:31:38	Citi ([Citi Trader]) <i>i bid 85</i>
09:32:21 09:32:29	Deutsche Bank ([DB Trader]) <i>i bid 86 anmd 81 and some at 71</i>

⁵¹ [DB Trader] (Deutsche Bank)'s evidence in interview was that one would 'assume [...] that '80 and 75' would have been 'probably quite competitive bids' (B-URN-000502069, page 232).

[Citi Trader] (Citi)'s evidence in interview was that in the communication in this timestamp he interpreted Deutsche Bank ([DB Trader]) as having 'opened up and said what he's bidding.' (B-URN-000502063, page 158).

⁵² [DB Trader] (Deutsche Bank)'s evidence in interview was that he bid in the gilt auction, saying 'Erm, and then after the deadline, so it's after 9:30, [Citi Trader] said he'd bid 86 -- 85. And so, it's different to -- obviously, different to where his bid is at, erm, 79. And then I say "I bid 86 and 81", so again, different to my bids -- my bids at, er -- which I -- well, my bid levels two minutes previous and after that "and bid some at 71"' (B-URN-000502069, pages 232 to 233).

[Citi Trader] (Citi)'s evidence in interview was that he bid in the gilt auction, saying that 'I say, "Well, I actually ended up bidding 85", and he said he "bid 86 and 81", so he increased his prices, um, in the intervening period' (B-URN-000502063, pages 158 to 159).

Citi-DB, A-URN-000067 – 2 October 2012⁵³

Summary

- B.32 On 2 October 2012, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) engaged in:
- (a) **Trading Conduct** in that Deutsche Bank ([DB Trader]) disclosed his **future trading price** for 2022 gilts.
 - (b) **Gilt Buy-Back Auction Conduct**, in that before the close of the gilt buy-back auction that afternoon, Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]) disclosed to each other their **offer price parameters**.

Disclosure of future trading price for 2022 gilts (08:27:48 to 08:28:22)

- B.33 At 08:27:48 UTC,⁵⁴ Deutsche Bank ([DB Trader]) informed Citi ([Citi Trader]) of the trading activity he was observing in relation to gilts ahead of⁵⁵ the gilt auction of 1.75% 2022 gilts later that morning, stating that it was a *'usual squeeze'*.⁵⁶
- B.34 At 08:28:09, Deutsche Bank ([DB Trader]) then stated his own current trading activity in relation to the auction gilt, ie the 1.75% 2022 gilt, saying that he had not *'sold any yet'* (*'i havent sold any yet'*). [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank)'s evidence in interview was that in the communication at this timestamp Deutsche Bank ([DB Trader]) was referring to *'setting up'* for the gilt auction that morning.⁵⁷ Consistent with that evidence, the CMA infers that Deutsche Bank ([DB Trader]) was referring to his trading activity in relation to 2022 gilts in particular.
- B.35 At 08:28:22, Deutsche Bank ([DB Trader]) then disclosed his **future trading price** for 2022 gilts, ie the trading price (**'17.75'**) at which he would start trading 2022 gilts (**'17.75 i think i will strat [start]'**). The CMA infers that in this communication Deutsche Bank ([DB Trader]) was referring to his future trading price for the auction gilt in advance of the gilt auction that morning in particular. Consistent with that inference, [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank)'s respective

⁵³ A-URN-000067. Deutsche Bank also produced a chat on this date between Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]), A-URN-000208.

⁵⁴ Timestamps from this chat are recorded in UTC, which was one hour behind UK time on that date (BST). Therefore, 08:27:48 should be read as 09:27:48.

⁵⁵ B-URN-000500744, UK DMO Gilt Market Issuance Calendar for 2012-2013.

⁵⁶ [DB Trader] (Deutsche Bank)'s evidence in interview in relation to this communication was as follows: *'So I -- first thing I say is "usual squeeze" so that's obviously a reference back to the average price orders so bonds which lean into it'* (B-URN-000502069, page 118).

⁵⁷ [DB Trader] (Deutsche Bank)'s evidence in interview was that: *"I havent sold any yet", which, which suggests I haven't set up the auction yet, erm or I -- in one way or another'* (B-URN-000502069, page 118).

[Citi Trader] (Citi)'s evidence in interview in relation to this communication was as follows: *'I think what he's [ie Deutsche Bank ([DB Trader)])'s saying here, "Look, the bond is rallying", but he hadn't sold any yet, as a means of setting up for the auction.'* (B-URN-000502063, page 163).

evidence in interview was that the latter was selling 2022 gilts in order to reach a more favourable trading position for, ie 'set up' for, the upcoming gilt auction.^{58,59}

Chat extract table – 08:27:48 to 08:28:22

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
08:27:48	Deutsche Bank ([DB Trader])
08:28:09	<i>usual squeeze</i>
08:28:22	<i>i havent sold any yet</i> 17.75 i think i will strat

Disclosure of offer price parameters for gilts in a gilt buy-back auction – (13:17:07 to 13:45:26)

- B.36 Later that day, Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]) disclosed information regarding their respective offering strategies for an ongoing gilt buy-back auction, shortly before its close.⁶⁰
- B.37 Following earlier observations during the gilt buy-back auction on trading activity levels ahead of the gilt buy-back auction, at 13:44:10, in the final minute of the gilt buy-back auction, Deutsche Bank ([DB Trader]) disclosed his **offer price parameters** to Citi ([Citi Trader]), stating that he intended to offer to sell gilts in the gilt buy-back auction at one to four basis points above (ie 'up' from) mid-price ('*i am offering 1-4bps up*').⁶¹

⁵⁸ [DB Trader] (Deutsche Bank)'s evidence in interview in relation to this communication was as follows: '*I've sort of said at that level, I'll start selling, so start setting up for the auction*' (B-URN-000502069, page 119).

[Citi Trader] (Citi)'s evidence in interview in relation to this communication was that he thought Deutsche Bank ([DB Trader]) was saying: '*Bond is rallying but we haven't sold any yet*', but once it gets to a certain level, he might consider selling some' and separately 'he's saying [...] it's a legitimate strategy to sell some and then buy them back at the auction, but at "17.75", I think he goes, "I will start"'. [Citi Trader] (Citi) also said that he would 'probably' have been able to see current prices for that gilt switch via a broker platform ie on 'a broker's screen' (B-URN-000502063, pages 163 and 168).

⁵⁹ In relation to the particular product to which Deutsche Bank ([DB Trader]) was referring:

[DB Trader] (Deutsche Bank)'s evidence in interview in relation to this communication was that he was referring to a gilt switch in which he sold the auction gilt and bought 4% 2022 gilts, '*I say "17.75", which sounds like a spread between -- a yield spread between -- I think that's yield spread between the 1t22, so the auction bond, and the 4s of 22, which is the benchmark, sort of CTD*' (B-URN-000502069, pages 118 to 119).

[DB Trader] (Deutsche Bank) also said in interview that he was referring to '*Selling -- yeah, selling the auction bond, so the -- 1 er 1 and three quarter per cent of 2022, to buy the other one. So basically that's -- at that level is when I start maybe setting up for the auction is the way to think about it, potentially*' and separately, '*where it gets to that level at trading the broker market, that's where I'll start selling so*' (B-URN-000502069, page 120).

[Citi Trader] (Citi)'s evidence in interview in relation to this communication was that he interpreted it as follows: '*this is on the day of an auction of, um, the 1.75% 2022s [...] I can only assume he's referring to that bond [ie the 1.75% 2022 gilt] as a yield level against some other bond, so 17.75 basis points is probably a yield level at which you sell that particular bond against some other bond, and buy some other bond*' (B-URN-000502063, page 163).

⁶⁰ B-URN-000500757, tab '02OCT12' indicates that in the competitive gilt buy-back auction on the date of this chat the Bank of England received offers to sell gilts with the following coupons and maturities: 4.25% 2027; 6% 2028; 4.75% 2030; 4.5% 2034; 4.25% 2036; 4.75% 2038; 4.25% 2039; 4.25% 2040; 4.5% 2042; 4.25% 2046; 4.25% 2049; 3.75% 2052; 4.25% 2055; 4% 2060.

⁶¹ [DB Trader] (Deutsche Bank) confirmed in interview in relation to this communication that 'up' referred to his offers in the gilt buy-back auction being up from '*DMO mid*' (B-URN-000502069, page 125).

- B.38 At 13:44:42, in the final minute of the gilt buy-back auction, Citi ([Citi Trader]) disclosed his **offer price parameters** in the gilt buy-back auction. He disclosed that he was offering to sell a volume of £5 million nominal ('5mm') at mid-price ('mids') and 'upto' a further £50 million nominal ('50mm') at a price of 70 cents above mid-price ('i'm offering 5mm at mids and then upto 50mm about 70 cents up').⁶²
- B.39 Each Party later confirmed to the other he submitted offers in the gilt buy-back auction.⁶³

Chat extract table – 13:17:07 to 13:45:26

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
13:17:07 13:17:12	Deutsche Bank ([DB Trader]) <i>what u think on the buyback have seen very little into it</i>
13:17:39 13:20:00	Citi ([Citi Trader]) <i>me too ... i saw a LOT of buying yesterday, but clearly sellers win it based on px action today. i'm very concerned that everyone who missed auction and thinks mkt may come back is about to be disappointed as this apf comes high</i>
13:20:16	Deutsche Bank ([DB Trader]) <i>i still long vs bunds</i>
13:20:35	Citi ([Citi Trader]) <i>think that's smart</i>
13:20:37 13:20:43	Deutsche Bank ([DB Trader]) <i>will offer some stock above and buy me bunds back if i get paid</i>
13:20:49	Citi ([Citi Trader]) <i>i'm just long ... but a lot less than immediately after</i>
13:21:00	Deutsche Bank ([DB Trader]) <i>only 75m longs traded in street all day</i>
13:21:07	Citi ([Citi Trader]) <i>pusher?</i>
13:21:13 13:21:15 13:21:17	Deutsche Bank ([DB Trader]) <i>sorry all day only 75m thats low vol</i>
13:21:37	Citi ([Citi Trader]) <i>that's why i asked ... u reckon there is a steepener trying to see them at these levels?</i>

⁶² [DB Trader] (Deutsche Bank) confirmed in interview in relation to this communication that he interpreted Citi ([Citi Trader]) as disclosing his offer prices for various volumes (for example 'some 40 cents up, some 50 cents up, some 60, some 70, and 50 million was the total he could possibly sell'), that 'mids' referred to the 'DMO mid' ie DMO's composite mid-price and that 'up' meant above DMO's composite mid-price (B-URN-000502069, pages 126 to 127). [Citi Trader] (Citi)'s evidence in interview was that he was referring to offering: 'a maximum of about 50, so that could be five clips of 10, and you know, it could be one clip of 1 and one clip of 49.' (B-URN-000502063, page 182).

⁶³ See 13:45:00 and 13:45:26, when [DB Trader] (Deutsche Bank) stated 'actually i have 7m 60s at mid then 52s from 111.95-112.95' and 14:55:53, when [Citi Trader] (Citi) stated 'i sold small'.

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
13:21:48	Deutsche Bank ([DB Trader]) <i>maybe</i>
13:42:04 13:42:21 13:44:00	Citi ([Citi Trader]) <i>this has all the hallmarks of the boe having to reach to buy longs esp with that bid now in longs and i bet gemms from this am are waiting to see if mkt comes back down for them after missing their auction</i>
13:44:10	Deutsche Bank ([DB Trader]) <i>i am offering 1-4bps up</i>
13:44:42	Citi ([Citi Trader]) <i>i'm offering 5mm at mids and then upto 50mm about 70 cents up.</i>
13:45:00 13:45:26	Deutsche Bank ([DB Trader]) <i>actually i have 7m 60s at mid then 52s from 111.95-112.95</i>

Citi-DB, A-URN-000068 – 3 October 2012⁶⁴

Summary

B.40 On 3 October 2012, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) engaged in:

- (a) **Gilt Buy-Back Auction Conduct** in that during the ongoing gilt buy-back auction that afternoon,^{65, 66} Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) disclosed to each other their **offer price parameters** for the gilt buy-back auction.
- (b) **Trading Conduct**, in that:
 - (i) Deutsche Bank ([DB Trader]) disclosed to Citi ([Citi Trader]) his **current mid-price** for gilt basis.
 - (ii) Deutsche Bank ([DB Trader]) disclosed his **assessment of the trading price to adopt** for gilt basis.

Disclosure of offer price parameters in relation to gilt buy-back auction – (13:35:13 to 13:36:17)

B.41 Having earlier in the day discussed how to trade in light of the gilt buy-back auction taking place on that day,⁶⁷ at 13:35:13 UTC,⁶⁸ some ten minutes before the gilt buy-back auction closed, Citi ([Citi Trader]) asked Deutsche Bank ([DB Trader]) whether he thought Citi ([Citi Trader]) should submit an offer in the gilt buy-back auction to sell 3.75% 2021 gilts ('3t21') at an offer price of '**12c**' above (ie 'up' from) mid-price ('**what do we think? offer some 3t21 12c up?**' at 13:35:13).^{69, 70} The CMA infers that in asking that question, Citi ([Citi Trader]) was

⁶⁴ A-URN-000068. Deutsche Bank also produced a chat on this date between Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]), A-URN-000209.

⁶⁵ B-URN-000500757, tab '03OCT12' indicates that in the competitive gilt buy-back auction on the date of this chat the Bank of England received offers to sell 3.75% 2021 gilts (among other gilts).

⁶⁶ For gilts with residual maturities of 7 to 15 years. [DB Trader] (Deutsche Bank)'s evidence in interview was that '*I think the buy-back is a 7 to 15-year one*' (B-URN-000502069, page 6).

⁶⁷ See timestamps 09:18:41-09:21:00 and [DB Trader] (Deutsche Bank)'s evidence in interview in which he said that he and Citi ([Citi Trader]) were discussing '*basically deciding whether to sell and go short them now or wait for the buy-back which is later this afternoon*' (B-URN-000502069, page 5).

⁶⁸ Timestamps from this chat are recorded in UTC, which was one hour behind UK time on that date (BST). Therefore, 13:35:13 should be read as 14:35:13.

⁶⁹ [Citi Trader] (Citi)'s evidence in interview in relation to this communication was that he was asking Deutsche Bank ([DB Trader]) the question as a '*sense check*' of whether that price would be '*sensible*' and that he was referring to a price relative to his own mid-price: He said: '*I think that's me thinking -- um, me, sort of, again, getting a sense-check to see the 12 cents above the market is the right sort of level for 3ts of 21*' and separately '*Er, again, it's about my own mid. So, er, you know, it's just more of the sense-check, just saying, "Well, look, you know, up market's been trading in, you know, a particular way and we've got the APF in about ten minutes. In your view, do you think trying to sell 21s 12 cents above mid would be sensible, or do you have a different view on it?" Um, that's all*' (B-URN-000502064, pages 6 to 9).

⁷⁰ [DB Trader] (Deutsche Bank)'s evidence in interview in relation to this communication was that he interpreted Citi ([Citi Trader])'s question as being in relation to offer prices in the gilt buy-back auction in particular. He said: '*it's obviously*

disclosing the **offer price parameters** and offer gilt he was considering in the ongoing gilt buy-back auction.

- B.42 Deutsche Bank ([DB Trader]) responded to Citi ([Citi Trader])'s request by disclosing his **offer price parameters** in the gilt buy-back auction, stating that he intended to submit offers at prices of 5, 10, 15 and 20 cents⁷¹ above (ie 'up' from) mid-price ('*i'm offering 5/10/15/20 up*' at 13:35:26)⁷² and then stated his reasons for those offers, namely that he was comfortable with having a short trading position ('*can live with going short here*' at 13:35:45).⁷³
- B.43 Citi ([Citi Trader]) then disclosed further information about his own **offer price parameters**, saying that, although he was not sure whether it was better to have a long or short trading position in relation to gilts ('*still unsure of whether to be long or short*'), he intended to offer 3.75% 2021 gilts⁷⁴ in the gilt buy-back auction at prices 10 to 12 cents above mid-price ('*10-12 c up*'),⁷⁵ and he would then assess how the market would respond ('*i'm still unsure of whether to be long or short, but i'll offer some 10-12 c up and see how mkt trades*' at 13:36:17). In interview, [DB Trader] (Deutsche Bank) inferred from this communication that, in light of his uncertainty, Citi ([Citi Trader]) would offer relatively low volumes in the gilt buy-back auction, ie he would not be offering '*much stock*'.⁷⁶

close to the buy-back and he's sort of saying, you know, asking me what's my opinion, you know. If I offer, you know -- if I ... if I o... if I sold these bonds 12 cents up would it be -- you know would it be a good trade. So, he's kind of trying to gauge my opinion I think but he hasn't really given me an idea of volume of -- it's just I think he's trying to gauge my idea of what I think -- how the buyback's going to go' (B-URN-000502069, pages 7 to 8).

⁷¹ [DB Trader] (Deutsche Bank)'s and [Citi Trader] (Citi)'s respective evidence in interview in relation to this communication was that Deutsche Bank ([DB Trader]) was referring to prices in cents above mid-price:

[DB Trader] (Deutsche Bank) said in interview that: '*i'm guessing it must be around 10-year bonds, so 5/10/15/20 cents above mid*' (B-URN-000502069, page 7).

[Citi Trader] (Citi)'s evidence was that he '*assume[d]*' Deutsche Bank ([DB Trader]) was referring to 'cents' and separately that '*he plans to sell [at prices] 5, 10, 15 and 20 up*' and that '*Um, and I don't know whether he means cents or basis points but I would assume he meant cents*' (B-URN-000502064, pages 5 and 7).

⁷² [DB Trader] (Deutsche Bank) confirmed in interview in relation to this communication was that he was referring to '*four trades*', which the CMA infers referred to four separate offers, in the gilt buy-back auction related (B-URN-000502069, page 8).

⁷³ [DB Trader] (Deutsche Bank)'s evidence in interview in relation to this communication was that '*I've said in the line after, I said, "Can live with going short here?" so obviously the market's done quite well, erm, but doesn't sound like I'm that confident about it. So, you know, I've gone for the strategy whereby I will, erm, you know, average in, sell a little bit at every price rather than enter my full risk at one price.*' (B-URN-000502069, page 8).

⁷⁴ [Citi Trader] (Citi)'s evidence in interview in relation to this communication was that he '*assume[d]*' he was referring to the 3.75% 2021 gilt and that '*I can only assume that, because that 13: 35:13 I've talked about, the 21s 12c up, it's, it's the same; I'm -- I'm referring to the same thing*' (B-URN-000502064, pages 8 and 10).

[DB Trader] (Deutsche Bank) said in interview that: '*I believe he's referring to the 3t21 given that it's -- in, the start of the conversation he mentions that bond first.*' (B-URN-000502069, page 10).

⁷⁵ [Citi Trader] (Citi)'s evidence in interview in relation to this communication was that '*up*' referred to '*up from my own, er, mid*' (B-URN-000502064, page 7).

⁷⁶ [DB Trader] (Deutsche Bank) said in interview that '*he [Citi ([Citi Trader])] would offer some stock, you know, 10 to 12 cents above middle -- middle but he, but he'd -- but he's not very confident about it, so he probably won't be offering much stock, erm an... and it doesn't sound like he's confident either way whether he gets, whether he sells them*' (B-URN-000502069, page 10).

- B.44 Both Parties later confirmed to each other that they had submitted offers in the gilt buy-back auction.⁷⁷

Chat extract table – 13:35:13 to 13:36:17

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
13:35:13	Citi ([Citi Trader]) <i>what do we think? offer some 3t21 12c up?</i>
13:35:26 13:35:45	Deutsche Bank ([DB Trader]) <i>i'm offering 5/10/15/20 up</i> <i>can live with going short here</i>
13:36:17	Citi ([Citi Trader]) <i>i'm still unsure of whether to be long or short, but i'll offer some 10-12 c up and see how mkt trades</i>

Disclosure of current mid-price and assessment of trading price in relation to gilt basis – (15:12:53 to 15:25:22)

- B.45 In the context of a trade Citi ([Citi Trader]) was negotiating with a specific counterparty, Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]) each disclosed their pricing information in relation to gilt basis.
- B.46 At 15:12:57, Citi ([Citi Trader]) asked for Deutsche Bank ([DB Trader])'s views on demand for gilt basis,⁷⁸ asking whether the latter considered 'basis' (ie gilt basis) 'cheap'. [Citi Trader] (Citi)'s evidence in interview was that he had asked for Deutsche Bank ([DB Trader])'s advice because he had not been particularly 'engaged' in the market and that therefore he wanted to be sure that where he saw gilt basis was 'commensurate' with where Deutsche Bank ([DB Trader]) saw it.⁷⁹
- B.47 Following some further exchanges, in light of his assessment of demand for gilt basis, Deutsche Bank ([DB Trader]) then disclosed his **assessment of trading price** to adopt for gilt basis, stating that an appropriate price at which to trade gilt basis would be '**108.5**' ('**in 200m 22s i would offer at 108.5 or something like that**' at 15:21:43) and then sought to reassure Citi ([Citi Trader]) about the price of

⁷⁷ See timestamps at 13:46:16 and 13:46:34. At 13:46:16, [Citi Trader] (Citi) stated 'well, i went 50 and 52 in the 3t21' and at 13:46:34 [DB Trader] (Deutsche Bank) stated 'i was 85/90/95/00'. [DB Trader] (Deutsche Bank)'s evidence in interview was that 'if i had to guess, i would say my offers were in the 4t22' (B-URN-000502069, page 11).

⁷⁸ Gilt basis which was similar to a gilt switch, but involved the purchase of a gilt and the sale of a gilt future (an agreement to buy or sell a gilt on a specified date at a predetermined price) or vice versa.

⁷⁹ [Citi Trader] (Citi) said in interview that 'i just want to be sure that where i see it is, er, commensurate with where he sees it.' (B-URN-000502064, page 13).

[Citi Trader] (Citi) also said in interview that 'Er, i haven't been, er, engaged in the market, for whatever reason - maybe something else was going on in my life at that point, on that day - er, and so i just wanted to sense-check with, er, [DB Trader] and say, "Look, you know, do you think it's cheap?", because, if he buys it from me in 250 million and then if i try to cover it back in 5 million, er, i may only get 5 million back before it richens because this man has bought it with many other people and, because it's cheap, it will continue to do that. So, i just wanted to sense-check with him that basis wasn't cheap' (B-URN-000502064, page 18).

'108' at which Citi ([Citi Trader]) had offered to a client to trade by stating '*nothing wrong with that price*' (at 15:22:39).

- B.48 Having sought to reassure Citi ([Citi Trader]), Deutsche Bank ([DB Trader]) then disclosed to Citi ([Citi Trader]) his **current mid-price ('107.5')** for gilt basis ('*i have a 107.5 mid*' at 15:23:34).⁸⁰ In reaction, Citi ([Citi Trader]) stated the mid-price ('107.4') he had had when he undertook a trade that he had previously mentioned ('*i was marking at 107.4*' at 15:23:54). [Citi Trader] (Citi)'s evidence in interview was that Citi ([Citi Trader]) was referring to his mid-price '*at the time*',⁸¹ that is, at the time of the trade he had previously mentioned.

Chat extract table – 15:12:53 to 15:25:22

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
15:12:53 15:12:57	Citi ([Citi Trader]) <i>question if u r not busy.</i> <i>is basis cheap here?</i>
15:13:02	Deutsche Bank ([DB Trader]) <i>fire away</i>
15:13:46	Citi ([Citi Trader]) <i>i don't see it being super cheap, but a big time dodgy guy just asked for an offer in 250mm.</i>
15:14:14 15:14:19 15:14:59 15:15:09 15:19:12	Deutsche Bank ([DB Trader]) <i>so in my view its q cheap</i> <i>but not massively</i> <i>net basi for 3t21 is 9c</i> <i>seems q low for 2 months</i> <i>if you consider optionality/squeeze in basket/boe paying up</i>
15:19:51	Citi ([Citi Trader]) <i>yeah, i'm just wary of this guy that's all. and i've not really been engaged today, so didn't wanna get picked off.</i>
15:19:58 15:20:35 15:20:43 15:20:50	Deutsche Bank ([DB Trader]) <i>but i dont think u have to worry if u get liufted</i> <i>fyg a spiv asked me a 2 way in 150m 22s basis y'day</i> <i>made him 105-1'06 and he lifted me</i> <i>but got them back easily</i>
15:20:56 15:21:16	Citi ([Citi Trader]) <i>ok cool</i> <i>i wonder what the ratio of spivs to real clients is in gilts....3:1</i>

⁸⁰ [DB Trader] (Deutsche Bank)'s evidence in interview in relation to this communication was that he was referring to '*my internal mid for gross basis on that bond*' (B-URN-000502069, page 29).

[Citi Trader] (Citi) said in interview in relation to this communication that he interpreted Deutsche Bank ([DB Trader]) as saying that '*he sees the mid for basis 3t 21 basis, I -- I think at 107.50*' and that the related gilt basis trade would have consisted of the gilt future and '*21s bond, er, er, or the 22s bond*', ie either a 2021 or 2022 gilt (B-URN-000502064, pages 13 and 19).

⁸¹ [Citi Trader] (Citi) said in interview in relation to this communication in reference to his mid-price that: '*I saw mine being at 107.40 at the time*' and that his and Deutsche Bank ([DB Trader])'s mid-prices were '*internal*' (B-URN-000502064, page 19).

[DB Trader] (Deutsche Bank)'s evidence in interview in relation to this communication was that Citi ([Citi Trader]) was '*just giving me his internal mid*' (B-URN-000502069, page 30).

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
15:21:27 15:21:31 15:21:43 15:21:48	Deutsche Bank ([DB Trader]) <i>haha</i> <i>something like that</i> <i>in 200m 22s i would offer at 108.5 or something like that</i> <i>and i reckon u would get them back</i>
15:22:19	Citi ([Citi Trader]) <i>i offered at 108 and he grumbled and left</i>
15:22:39	Deutsche Bank ([DB Trader]) <i>nothing wrong with that price</i>
15:22:53	Citi ([Citi Trader]) <i>think he expected me to show shy of 0.75</i>
15:23:34 15:23:43 15:23:49	Deutsche Bank ([DB Trader]) <i>i have a 107.5 mid</i> <i>what planet are these guys on</i> <i>in 250m</i>
15:23:54	Citi ([Citi Trader]) <i>i was marking at 107.4 but yeah, i think it was a good px for the size.</i>
15:24:06	Deutsche Bank ([DB Trader]) <i>the screen works in 5m</i>
15:24:20 15:25:22	Citi ([Citi Trader]) <i>he asked me if i'd be tighter in 125mm....i felt like saying "no, i'd be wider because i know u will do 125mm elsewhere"</i> <i>and he's traded as per [broker] screen</i>

Citi-DB, A-URN-000078 – 23 October 2012⁸²

Disclosure of offer price in a gilt buy-back auction – (13:34:15 to 14:00:39)

- B.49 On 23 October 2012, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) engaged in **Gilt Buy-Back Auction Conduct** in that Citi ([Citi Trader]) disclosed to Deutsche Bank ([DB Trader]) his **offer price** for that gilt buy-back auction.
- B.50 In the final minute before that afternoon's gilt buy-back auction close, at 13:44:41 UTC,⁸³ Citi ([Citi Trader]) disclosed to Deutsche Bank ([DB Trader]) his **offer price** and offer gilts for that gilt buy-back auction, stating that he was offering to sell 2042 gilts ('42s')⁸⁴ in the gilt buy-back auction at an offer price of '**20**' ('**i'm offering 42s @ 20**' at 13:44:41).⁸⁵
- B.51 After the close of the gilt buy-back auction, Deutsche Bank ([DB Trader]) disclosed information on his offers in the gilt buy-back auction.⁸⁶

Chat extract table – 13:34:15 to 14:00:39

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
13:34:15 13:44:41	Citi ([Citi Trader]) <i>i reckon mkt rallies pretty hard here</i> <i>i'm offering 42s @ 20</i>
14:00:39	Deutsche Bank ([DB Trader]) <i>i sold soem 27s and 52s</i>

⁸² A-URN-000078. Deutsche Bank also produced a chat on this date between Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]), A-URN-000211.

⁸³ Timestamps from this chat are recorded in UTC, which was one hour behind UK time on that date (BST). Therefore, 13:34:15 should be read as 14:34:15.

⁸⁴ B-URN-000500757, tab '23OCT12' indicates that in the competitive gilt buy-back auction on the date of this chat the Bank of England received offers to sell 4.25% 2027, 4.5% 2042 and the 3.75% 2052 gilts (amongst other gilts).

⁸⁵ [Citi Trader] (Citi)'s evidence in interview in relation to this communication was '*in relation to an APF*' [...] '*I say "I'm going to be offering some 42s at 20"*', which referred to the price for 2042 gilts (B-URN-000502064, page 25). [DB Trader] (Deutsche Bank)'s evidence in interview in relation to this communication was that he interpreted Citi ([Citi Trader]) as disclosing '*the actual price he [ie Citi ([Citi Trader])] was offering them at*' (B-URN-000502069, page 45).

⁸⁶ Deutsche Bank ([DB Trader]) said after the gilt buy-back auction closed that he sold 2027 and 2052 gilts ('*i sold soem [some] 27s and 52s*' at 14:00:39).

[DB Trader] (Deutsche Bank) said in interview in relation to those communications: '*I say to him I've sold 27s and 52s, that's into the buy-back*' (B-URN-000502069, page 45). [Citi Trader] (Citi) confirmed in interview that his interpretation of those communications was Deutsche Bank ([DB Trader]) '*reporting what he had sold*' in relation to the gilt buy-back auction (B-URN-000502064, page 26).

Disclosure of offer price parameters in a gilt buy-back auction – (13:30:06 to 13:47:50)

- B.52 On 24 October 2012, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) engaged in **Gilt Buy-Back Auction Conduct** during the gilt buy-back auction that afternoon in that they disclosed to each other their **offer price parameters** for the gilt buy-back auction.^{88, 89}
- B.53 At 13:30:06 UTC,⁹⁰ some 15 minutes before the gilt buy-back auction closed, Deutsche Bank ([DB Trader]) asked Citi ([Citi Trader]) for his opinion on that gilt buy-back auction (*'where this one go?'*).⁹¹ Citi ([Citi Trader]) responded by disclosing his offer gilts and **offer price parameters** in that gilt buy-back auction, stating that he intended to offer 2022 gilts ('22s') in the gilt buy-back auction at a price of 8 cents (**'8c'**) above (ie *'up'* from) mid-price (**'i'm offering some 22s about 8c up'** at 13:30:40).⁹²
- B.54 Deutsche Bank ([DB Trader]) responded by disclosing his **offer price parameters** (**'10'** or **'05'**) in the same gilt buy-back auction, stating that he intended to offer to sell gilts in the gilt buy-back auction at an offer price of **'10'** or **'maybe 05'** cents above the gilt future price (**'yeah i am offering off 10 in gilt'** at 13:31:32 and **'maybe 05'** at 13:31:39).
- B.55 The CMA infers that Deutsche Bank ([DB Trader]) was referring to his offer prices relative to the gilt future price specifically in light of the evidence of [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) in interview. For example, [DB Trader] (Deutsche Bank)'s evidence in interview was that, when saying *'off'*, he was referring to his offer prices relative to the price of the gilt future,⁹³ an instrument

⁸⁷ A-URN-000079. Deutsche Bank also produced a chat on this date between Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]), A-URN-008438.

⁸⁸ B-URN-000500757, tab '24OCT12' indicates that in the competitive gilt buy-back auction on the date of this chat the Bank of England received offers to sell gilts with the following coupons and maturities: 4.75% 2020; 3.75% 2020; 3.75% 2021; 4% 2022; 1.75% 2022; 5% 2025.

⁸⁹ After the gilt buy-back auction closed, Citi ([Citi Trader]) confirmed that he had sold the 4% 2022 gilts ('4'22') at a price of '120.05' (13:45:44 and 13:45:45), to which Deutsche Bank ([DB Trader]) said that he had sold two gilts in the gilt buy-back auction (13:47:36 and 13:47:50).

[DB Trader] (Deutsche Bank) said in relation to the communications in those timestamps that *'it sounds like I've offered two different bonds'* (B-URN-000502069, page 58).

⁹⁰ One hour behind BST, being the time zone in the UK on that date.

⁹¹ [Citi Trader] (Citi)'s evidence in interview in relation to this communication was that he interpreted Deutsche Bank ([DB Trader]) as referring to where *'the APF will clear'* (B-URN-000502064, page 37).

⁹² [Citi Trader] (Citi) confirmed in interview in relation to this communication that it referred to a price relative to his *'own mid'* (B-URN-000502064, page 38).

[DB Trader] (Deutsche Bank)'s evidence in interview was that he *'believe[d]'* it was a price relative to the *'DMO mid'* ie the DMO's composite mid-price (B-URN-000502069, page 58).

⁹³ [DB Trader] (Deutsche Bank) said in interview in relation to this communication that *'By that, I mean, erm, I'm offering at -- whatever bond I'm choosing to offer at an equivalent level to 10 or 05 in the gilt future. So, I'm kind of - - I'm not saying that I, I -- at this point I haven't said what bond I'm doing. Erm, but I'm kind of referencing, like, the way that every bond trades off gilt futures. By the time a gilt future gets to that level, I'll know roughly what price every bond's going to be*

which was exchange-traded and for which the price was readily available to dealers.⁹⁴

Chat extract table – 13:30:06 to 13:47:50

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
13:30:06	Deutsche Bank ([DB Trader]) <i>where this one go?</i>
13:30:40	Citi ([Citi Trader]) <i>i'm offering some 22s about 8c up.</i>
13:31:32 13:31:39	Deutsche Bank ([DB Trader]) <i>yeah i am offering off 10 in gilt maybe 05</i>
13:32:09	Citi ([Citi Trader]) <i>i'm not sure if i wanna be short though. I probably do given what equities are doing.</i>
13:32:40	Deutsche Bank ([DB Trader]) <i>not sure i want to be selling gits when they have underperformed bunds by 3.5bps</i>
13:33:06	Citi ([Citi Trader]) <i>yeah, but if u get a 10c premium on ure sales, its only 2.5bp :-)</i>
13:33:15	Deutsche Bank ([DB Trader]) <i>haha</i>
13:45:44 13:45:55	Citi ([Citi Trader]) <i>i went 120.05 in 4'22</i>
13:47:36 13:47:50	Deutsche Bank ([DB Trader]) <i>i did 120.10 int hose and 65 in 21s</i>

at and that's how I'm choosing my price for the, erm, buy-back. So, I'm not really referencing... I'm not really referencing mid, I'm just referencing a market level at which I want to sell' (B-URN-000502069, page 57).

[Citi Trader] (Citi)'s evidence in interview was that Deutsche Bank ([DB Trader]) was referring 'to the gilt future, and I think he's referring to, er, offering above -- 10 cents above in the gilt future as a reference, er, because you can't offer the gilt future in the comm... -- in the -- in the buyback' (B-URN-000502064, page 39).

[Citi Trader] (Citi) later said in interview that Deutsche Bank ([DB Trader]) was referring to '10c from the gilt future. He's just saying that, if the gilt future was eligible, which it isn't, then he would be selling the gilt future at 10c above mid' (B-URN-000502064, page 43).

Despite [Citi Trader] (Citi)'s second explanation in interview, the CMA has interpreted this communication as a reference to the price at which Deutsche Bank ([DB Trader]) intended to offer gilts (rather than the gilt future) in the gilt buy-back auction: that interpretation is consistent with the context of the Bloomberg chat, with [DB Trader] (Deutsche Bank)'s explanation, and with [Citi Trader] (Citi)'s first explanation.

⁹⁴ [DB Trader] (Deutsche Bank)'s evidence in interview that the gilt future was a 'public price' (B-URN-000502069, page 57). [Citi Trader] (Citi) said in interview that the gilt future price was 'freely available on a variety of, er, um, platforms including [electronic trading platform], because it's streamed directly from the exchange' (B-URN-000502064, page 42).

Disclosure of bid price parameters in a gilt auction of a 4.75% 2030 gilt (10:10:40 to 10:11:52)⁹⁶

- B.56 On 8 January 2013, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) engaged in **Gilt Auction Conduct** during the window of tap gilt auction of a 4.75% 2030 gilt⁹⁷ in that Citi ([Citi Trader]) disclosed to Deutsche Bank ([DB Trader]) his **bid price parameters** in relation to certain bid volumes for the auction gilt.
- B.57 Some 20 minutes before the tap gilt auction closed, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) noted their uncertainty about bid prices that would be successful in the gilt auction: Citi ([Citi Trader]) said that he was not sure about what bid prices would be successful in the gilt auction (*'I'm really not sure if this comes thru mids or way below'* at 10:10:40), and Deutsche Bank ([DB Trader]) said that he also had *'no idea'* (*'i have no idea'* at 10:10:50). [DB Trader] (Deutsche Bank) said in interview that the maturity of the auction gilt added uncertainty to the gilt auction.⁹⁸
- B.58 At 10:11:52, some two minutes later, Citi ([Citi Trader]) then disclosed his **bid price parameters** in relation to certain bid volumes for the gilt auction: Citi ([Citi Trader]) stated that he would submit bids for £40 million nominal (*'40mm'*) at prices of 1 to 2 cents a little above (*'small thru'*) mid-price and 7 to 10 cents below (ie *'back'* from) mid-price (*'yeah, i think i will bid for like 40mm small thru mid (1-2c) and then another 40mm 7c-10c back'*).⁹⁹
- B.59 [DB Trader] said in interview that he was able to discern from Citi ([Citi Trader])'s disclosure that his *'first bid [...] might be quite aggressive'* and his *'second bid'* might be *'less aggressive'*.¹⁰⁰

⁹⁵ A-URN-000086. Deutsche Bank also produced a chat on this day between Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]), A-URN-000299.

⁹⁶ Timestamps from this chat are recorded in UTC, being the same time as the UK on the date of this chat.

⁹⁷ B-URN-000500744, UK DMO Gilt Market Issuance Calendar for 2012-2013.

⁹⁸ [DB Trader] (Deutsche Bank) said in interview in relation to this communication that: *'Erm, so it's just a bit of conversation, a chat about the auction, whereby frankly, neither of us seem to have a clue where it's going to come. Erm, maybe because it's a, you know, 17-year auction, a bit of a fun... -- sort of, funny mat... -- or 18 – 17, 18 year maturity. Bit of a funny, kind of, maturity for an auction.'* (B-URN-000502069, page 234).

[Citi Trader] (Citi)'s evidence in interview in relation to this communication was that at 10:10:40 he was saying: *'Effectively, what I'm saying is: as things stand, 20 minutes before the auction, I have absolutely no idea how this bond will – how this auction will go.'* (B-URN-000502063, page 185).

⁹⁹ [Citi Trader] (Citi)'s evidence in interview in relation to this communication was that: *'I'm saying, you know, "if this were to happen now, I think I would probably bid for 40 million at or around mid or maybe a little bit through mid, and another 40 million between 7 and 10 cents back"'* (B-URN-000502063, page 185).

[DB Trader] (Deutsche Bank)'s evidence in interview in relation to this communication was that he interpreted Citi ([Citi Trader]) as saying: *'He's gonna buy 40 million, erm, through mid. So above, above the mid market going in and then 40 million below. So, 7 to 10 cents below middle'* (B-URN-000502069, page 236).

¹⁰⁰ B-URN-000502069, page 236.

B.60 Both traders subsequently confirmed that they had bid in the gilt auction.¹⁰¹

Chat extract table – 10:10:40 to 10:11:52

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
10:10:40	Citi ([Citi Trader]) <i>I'm really not sure if this comes thru mids or way below</i>
10:10:50 10:11:04 10:11:11 10:11:29	Deutsche Bank ([DB Trader]) <i>i have no idea</i> <i>i think people pay up for what they need</i> <i>but i'mnot sure that is loads</i> <i>so then the risk is for either a tail or people get filled on lazy bids</i>
10:11:52	Citi ([Citi Trader]) <i>yeah, i think i will bid for like 40mm small thru mid (1-2c) and then another 40mm 7c-10c back</i>

¹⁰¹ At 10:31:32 and 10:31:54, after the gilt auction closed, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) each disclosed their bid prices for the gilt auction: at 10:31:32, [Citi Trader] (Citi) stated '*i bid 48 and 38 in the end*' and at 10:31:54, [DB Trader] (Deutsche Bank) stated '*i bid 56 for those i nerf*'. [DB Trader] (Deutsche Bank) said in interview regarding the timestamp at 10:31:32 '*I think that's the bid he's submitted in the auction until it's closed*' (B-URN-000502069, page 237).

Disclosure of trading price parameters (11:33:10 to 11:34:04)

- B.61 On 11 January 2013, Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) engaged in **Trading Conduct** in that Citi ([Citi Trader]) and Deutsche Bank ([DB Trader]) disclosed to each other their **trading price parameters** for quotes to a named counterparty.
- B.62 At 11:33:10,¹⁰³ Citi ([Citi Trader]) disclosed to Deutsche Bank ([DB Trader]) his **trading price parameters** for quotes to a named counterparty, '[counterparty]'¹⁰⁴: Citi ([Citi Trader]) stated that he was '**autoquoting**' [counterparty] at a price of 0.1 cents '*thru*'¹⁰⁵ mid-price for £50 million nominal ('50mm') of 4% 2022 gilts, ie '4'22'¹⁰⁶ ('*I'm autoquoting [counterparty] in up to 50mm 4'22 0.1 c thru mid.*').
- B.63 [Citi Trader] (Citi)'s and [DB Trader] (Deutsche Bank)'s evidence in interview was that '**autoquoting [...] 0.1c thru mid**' referred to the trading price at which Citi ([Citi Trader]) would automatically offer to [counterparty] to trade whenever it would request that Citi ([Citi Trader]) offer it a trading price. The CMA therefore infers that – in disclosing his trading price parameters for [counterparty] and that the trading price was an '**autoquot[e]**' – Citi ([Citi Trader]) was disclosing information about his future trading price parameters in relation to [counterparty]. That inference is consistent with [DB Trader] (Deutsche Bank)'s comments in interview, who said that '*I see no reason why it's not – he's not suggested to me that all – he's going to stop doing it.*'¹⁰⁷
- B.64 [Citi Trader] (Citi) and [DB Trader] (Deutsche Bank) said in interview that [counterparty] was a client of the Parties as well as other GEMMs.¹⁰⁸ [DB Trader]

¹⁰² A-URN-000089. Deutsche Bank also produced a chat on this date between Deutsche Bank ([DB Trader]) and Citi ([Citi Trader]), A-URN-008498.

¹⁰³ Timestamps from this chat are recorded in UTC, being the same as UK time on that date.

¹⁰⁴ The CMA infers that [counterparty] referred to an asset management company, [counterparty].

¹⁰⁵ The CMA infers that a price '*thru mid*' in this context referred to Citi ([Citi Trader]) offering to buy from [counterparty] at a trading price below mid-price and sell to [counterparty] at a trading price above mid-price. The CMA's interpretation is consistent with Citi ([Citi Trader])'s and [DB Trader] (Deutsche Bank)'s comments in interview:

[DB Trader] (Deutsche Bank) explained in interview he interpreted '*through*' in this context to mean that '*if the client was buying the bond, he'd be able to buy it cheaper than, I guess, [Citi Trader]'s mid or the DMO mid [...]* So when he says 0.1 cent *through mid*, it could mean *through his mid*, it could mean *through [electronic trading platform] mid*' (B-URN-000502069, page 158).

[Citi Trader] (Citi) said in interview that '*we had written a programme that said if [counterparty] asks for a price in up to 50 million of any bond, show them a price that is 0.1 cent better than our mid automatically. Or show them a price that's 0.1 cent below our mid if they're asking to buy it*' (B-URN-000502063, page 190).

¹⁰⁶ [Citi Trader] (Citi)'s and [DB Trader] (Deutsche Bank)'s evidence in interview in relation to this communication was that it related to the 4% 2022 gilt. [DB Trader] (Deutsche Bank) confirmed in interview that '*4 22 [...]* was a cash gilt' (B-URN-000502069, page 158).

[Citi Trader] (Citi)'s evidence in interview was '*that's the 4% 2022 gilt*' (B-URN-000502063, page 194).

¹⁰⁷ B-URN-000502069, page 159.

¹⁰⁸ [DB Trader] (Deutsche Bank) said in interview that [counterparty] was a '*client*' of Deutsche Bank as well as '*most GEMMs*' (B-URN-000502069, page 158).

[Citi Trader] (Citi) said in interview that '*there's a client called [counterparty] and at this point in time, they've made a big deal going round all the client -- all the banks and saying that they were expecting a certain kind of service*' (B-URN-000502063, page 189).

(Deutsche Bank)'s evidence in interview was that that trading price was particularly '*aggressive*'.¹⁰⁹

- B.65 Deutsche Bank ([DB Trader]) then disclosed to Citi ([Citi Trader]) information regarding his **trading price parameters** with the same named counterparty, [counterparty]: Deutsche Bank ([DB Trader]) stated that he would offer to trade with [counterparty] at a trading price of 1 cent from mid-price ('*i quote him 1c fom [from] mid*' at 11:33:32)¹¹⁰ but that he had not been successful in his previous attempts to do so ('*miss them everytime*' at 11:33:45). Deutsche Bank ([DB Trader]) then disclosed that he had once been able to trade with [counterparty] and the price of that trade ('*mid*') ('*won one at mid*' at 11:33:59).

Chat extract table – 11:33:10 to 11:34:04

Timestamp (UTC)	Party (Key Individual) <i>Extract</i>
11:33:10	Citi ([Citi Trader]) <i>I'm autoquoting [counterparty] in up to 50mm 4'22 0.1c thru mid. I've hit 1 of 7 trades YTD.</i>
11:33:22 11:33:32 11:33:45	Deutsche Bank ([DB Trader]) <i>haha</i> <i>i quote him 1c fom mid</i> <i>miss them everytime</i>
11:33:51	Citi ([Citi Trader]) <i>so u've done zero then :-)</i>
11:33:52 11:33:59 11:34:04	Deutsche Bank ([DB Trader]) <i>dont care</i> <i>won one at mid</i> <i>when i wanted to sell futures</i>

¹⁰⁹ [DB Trader] (Deutsche Bank) said in interview in relation to this communication '*so it sounds like he's showing very aggressive prices to the client*' (B-URN-000502069, page 155).

¹¹⁰ [DB Trader] (Deutsche Bank)'s evidence in interview in relation to this communication was that it '*would have just meant that my charge for 50 million -- 50 million er ten-year bonds [ie 2022 gilts], for him, most of the time is 1 cent to mid, so but -- whereby, my offer -- my offer if he's buying is 1 cent above mid, my bid if he's selling is 1 cent below mid*' (B-URN-000502069, page 159).

[Citi Trader] (Citi)'s evidence in interview was that he interpreted this communication as Deutsche Bank ([DB Trader]) quoting [counterparty], '*1 cent from mid*' (B-URN-000502063, page 190).