Lawsuit in U.S. Accuses 12 Big Banks of Credit Default Swap Collusion



Image by Mark Moz

A small trading exchange on Thursday filed an antitrust lawsuit accusing Bank of America Corp., Citigroup Inc., JPMorgan Chase & Co. and nine other banks of conspiring to shut it out of the $9.9 trillion credit default swap market, **reports Reuters**.

The plaintiff, Tera Group, alleges the banks organized a boycott of its seven-year-old TeraExchange platform by refusing both to send it any CDS transactions, and to clear and settle any CDS trades that customers wanted to handle there, according to reporter **Jonathan Stempel**. The complaint said the banks used their 95 percent market share to require that trading follow a protocol known as "request for quote," which Tera described as opaque and inefficient.

"Tera said this enabled banks to boost profit by keeping traders in the dark about prices, defeating a goal of the 2010 Dodd-Frank financial reforms, while instilling a "great fear of retaliation" against traders who defected to rival platforms," Stempel writes.

Read the Reuters article.