UBS Libor Fine Brings 2012 European Bank Levies to $6.1 Billion
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By Nicholas Comfort

Dec. 19 (Bloomberg) -- UBS AG’s $1.5 billion penalty for trying to rig interbank rates brings total fines for Europe’s largest banks to at least $6.1 billion, or about a quarter of their estimated profit this year.

Regulators have announced at least 13 fines of more than $5 million for nine of Europe’s biggest lenders, according to data compiled by Bloomberg. Those banks may report $24 billion in combined net income for 2012, with UBS among three lenders projected to post a full-year loss, according to analyst estimates compiled by Bloomberg.

European banks’ attempts to cut costs and improve profitability to meet tougher regulatory requirements have been hurt by probes ranging from allegations of global interbank rate rigging to giving terrorists access to the U.S. financial system. UBS, which on Nov. 26 was fined 29.7 million pounds ($48
million) by the U.K. following an unauthorized-trading loss of
$2.3 billion last year, said today it expects a fourth-quarter net loss of as much as 2.5 billion francs ($2.7 billion).

“Fines and litigation expenses have jumped this year and will continue to rise,” said Dirk Becker, an analyst at Kepler Capital Markets in Frankfurt with a neutral recommendation on European bank stocks. “The fines will cut profit and reduce the amount of equity banks have available to set aside to build capital, pay dividends and bonuses.”

HSBC, Barclays

Fines from the U.S. Commodity Futures Trading Commission and the U.S. Department of Justice total $1.2 billion, Zurich- based UBS said in a statement today. It will pay 160 million pounds to the U.K. Financial Services Authority, the largest- ever fine imposed by the regulator, and disgorge 59 million francs in estimated profits to the Swiss Financial Market Supervisory Authority.

By comparison, HSBC Holdings Plc, Europe’s largest bank, agreed on Dec. 11 to pay $1.92 billion to settle U.S. probes of money laundering in the largest-ever such accord, dwarfing Barclays Plc’s 290 million-pound fine over manipulation of London interbank offered rate.

In all, the industry faces at least $8.7 billion of regulatory penalties linked to Libor-rigging, according to Morgan Stanley. The European Union is also leading a probe that could fine banks as much as 10 percent of their annual revenue.

Lawsuits

Three people including a former trader at UBS and Citigroup Inc. were arrested in London last week in connection with the probe into rate manipulation, the first apprehensions in the global investigation. Dozens of lawsuits have been filed in the U.S. and the U.K. claiming losses on products pegged to Libor, the benchmark for more than $300 trillion of securities.

Increasing charges may further hurt earnings and slow plans to boost capital to meet regulatory requirements designed to strengthen the financial system’s ability to resist future shocks. Under the so-called Basel III accord, which is set to begin phasing in next year, lenders must hold more than triple the amount of core capital set under previous standards.

So far, bank shares have gained this year as the European Central Bank’s pledge to prop up states to save the euro outweighed potential fallout from regulatory fines. The 38- member Bloomberg Europe Banks and Financial Services Index has risen 22 percent this year after a 32 percent drop in 2011.

With an estimated $15.3 billion, London-based HSBC may have the highest full-year earnings, while Lloyds Banking Group Plc and Royal Bank of Scotland Plc may post losses, according to analyst estimates. UBS may post a loss of $1.1 billion, according to the median estimate of 19 analysts.

“Litigation was always part of banking but now we’re processing everything that happened around the 2008 crisis,”
Becker said. “The states benefit in the short-term, but bleeding banks will ultimately increase uncertainty.”

The following is a table showing fines announced this year for a selection of Europe’s largest banks. In some cases figures are proposed fines and the firms dispute the charges.

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Bank	Charges
HSBC	
U.S. Money laundering	$1.92 bln
Mexico Money Laundering	$27.5 mln
UBS	
Libor rigging	$1.5 bln
Letting unauthorized trading go undetected	$48.1 mln
Standard Chartered	
Iranian sanctions violation	$327 mln
Iranian sanctions violation (DFS)	$340 mln
ING Groep	
U.S. sanctions on Cuba and Iran	$619 mln
Barclays	
Libor fine	$469 mln
Penalties for power-market manipulation	$470 mln
Credit Suisse	
SEC home-loans probe	$120 mln
RBS	
Anti-money laundering controls failures	$14.3 mln
Lloyds	
FSA fine for inaccurate mortgage records	$6.8 mln
Deutsche Bank	
Civil claims in the U.S. for MortgageIT unit	$202.3 mln
Total	$6.1 bln

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--With assistance from Howard Mustoe and Gavin Finch in London, Maud van Gaal in Amsterdam and Elena Logutenkova in Zurich.
Editors: Simone Meier, Edward Evans

To contact the reporter on this story:
Nicholas Comfort in Frankfurt at +49-69-92041-213 or ncomfort1@bloomberg.net

To contact the editor responsible for this story:
Frank Connelly at +33-1-5365-5063 or
fconnelly@bloomberg.net