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Chicago Teachers' Pension Fund

CTPF Antitrust Lawsuit Clears Major Hurdle

The Chicago Teachers' Pension Fund's ongoing antitrust litigation involving the world's largest banks cleared a major hurdle on July 28, 2017, when Judge Paul Engelmayer of the U.S. District Court for the Southern District of New York ruled that the suit could proceed. The Fund's lawsuit, filed in November 2015, alleges that the world's largest investment banks conspired to engineer and maintain a collusive and anti-competitive stranglehold over the market for interest rate swaps (IRS), in violation of federal antitrust laws. Such alleged actions harm investors in one of the world's largest financial markets. CTPF is represented by Cohen Milstein Sellers & Toll and Quinn Emanuel Urquhart & Sullivan, LLP.

"We are pleased to see that the court has recognized the legitimacy and importance of this action," said Jay C. Rehak, President of the CTPF Board of Trustees. "We have taken this stand against the world's largest investment banks because a conspiracy of this scale cannot go unchecked. As consumers of financial products, we must trust that the institutions at the heart of our financial system act responsibly and transparently. We look forward to holding the banks accountable for their egregious behavior."

The "Dealer Defendant" banks named in the complaint include Bank of America, Barclays, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, JPMorgan, the Royal Bank of Scotland, and UBS.

Interest rate swaps, regularly used by a broad spectrum of investors, allow an entity to trade its fixed interest rate payments for the floating interest rate payments of a benchmark or vice versa. When used appropriately, swaps provide investors with flexibility in managing debt and mitigating risk. This vehicle is used extensively in the financial marketplace, with more than $1.4 trillion in swaps changing hands daily.

According to the complaint, interest rate swaps have been standardized and ripe for exchange trading for years. Open exchange trading brings transparent and competitive pricing and faster execution to a market, resulting in significant financial and administrative benefits to investors. Exchange trading dominates the financial marketplace, and products ranging from equities to foreign currencies trade on electronic exchanges. The complaint alleges that the banks used their power to stop competitors from bringing exchange trading to the IRS market - artificially inflating the time for and costs of the trade process. As a result, CTPF paid more for swaps than it would have in a competitive market.

The suit seeks an injunction to put an end to this anti-competitive arrangement, and damages for the injuries suffered.

CTPF will continue to update members on the status of this litigation as it progresses.

ADDITIONAL INFORMATION: TIMELINE OF LAWSUIT EVENTS

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