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DOJ Launches Forex Probe

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In a recent announcement, the Department of Justice, along with the FBI have begun investing the alleged rigging and manipulation of the foreign exchange ("FX") market. The FBI is already "looking into alleged rigging of interest rates associated with the London interbank offered rate, or Libor."

The DOJ has begun its investigation in London by interviewing junior traders in order to get information on the involvement of senior staff members in the currency manipulation scandal. The scandal broke out in 2013, where traders and other bank staff were allegedly involved with colluding and using chat rooms "to share client information and collude to manipulate daily currency benchmarks."

Forex traders who have assisted the DOJ "have been offered partial immunity in exchange for volunteering information about superiors." Fifteen investigators and prosecutors have been investigating this $15 trillion a day currency market since news of the scandal broke. As a result of the investigation, senior bankers are weary and fear additional fines amounting to "multibillion dollar penalties echoing the punishment meted out in the Libor-rigging scandal, which has so far cost the industry $5.8bn in fines."

The investigation has already turned up evidence that traders have shared information about "overall trading books, individual client orders and the spreads they are charging." While the FX market goes unregulated, financial regulators in Germany and Switzerland have confirmed evidence of wrongdoing, while others suggest that the currency market be subject to regulations. Minouche Shafik, deputy governor of the Bank of England, has questioned whether the "voluntary codes governing the markets" were strong enough to result in meaningful regulation.

As the investigation goes on, political and financial leaders will look toward potential regulations in order to prevent future scandals involving currency and interest rate manipulations.