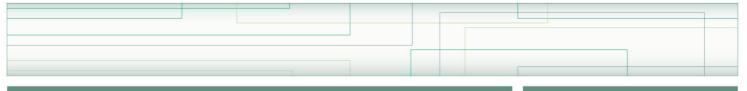
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DERIVATIVES MONTH IN REVIEW

City of Milan Settles with Banks in Derivatives Fraud Case

The City of Milan, Italy, has reached a settlement relating to a dispute involving fees charged by four foreign banks relating to the sale of derivatives. The City had entered into swaps with each of UBS AG, Deutsche Bank AG, JPMorgan Chase & Co. and Depfa Bank PLC that were linked to, among other things, a \in 1.68 billion bond issued by the City. On April 27, 2009, Italian financial police, acting on the order of a judge, seized assets (including the banks' stakes in certain Italian companies, real estate assets and bank accounts) valued at approximately \notin 476 million from the four banks in connection with an investigation into whether the banks fraudulently received some \notin 100 million in fees which were not properly disclosed. Subsequently, on March 17, 2010, public prosecutors formally charged the four banks, as well as eleven bankers and two former city officials, with fraud in connection with these transactions.¹

Under the terms of the €455 million settlement deal, the banks reportedly will unwind the transactions and pay to the City the current mark-to-market of the swaps, with a substantial discount. In exchange, the City agreed to release certain seized assets and drop claims for damages in a civil suit it had brought. The City also agreed to withdraw as a plaintiff in the related criminal suit, although that case is continuing in the Italian courts. The banks did not admit any responsibility in connection with their fees as part of the settlement.

MAY 2012

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¹ For additional information regarding these transactions and the related investigation, <u>click here</u> and <u>here</u>.