



JOSH MANDEL

STATE TREASURER OF OHIO

COLUMBUS ‐ State Treasurer of Ohio Josh Mandel today sent a letter to Ohio Attorney General Mike DeWine requesting an investigation into whether banks conducting foreign currency exchange transfers on behalf of the state exploited Ohio retirees, businesses and taxpayers.

"I am concerned that banks under contract with the state may have improperly manipulated foreign currency trade prices in order to maximize the banks' profit, at the expense of Ohio retirees, businesses and taxpayers," said Treasurer Mandel. "I have asked the Attorney General to investigate whether banks altered foreign currency exchange rates to exploit Ohio retirees and injured workers, and whether violations of state laws or contracts occurred. If it's found that banks profited improperly I believe the state should seek to recover this money on behalf of Ohio retirees, businesses and taxpayers."

Below is the text of the letter that was sent from Treasurer Mandel to Attorney General DeWine, or you can [View a PDF of the Letter](#):

June 14, 2011

The Honorable Mike DeWine
Ohio Attorney General
30 East Broad Street, 14th Floor
Columbus, OH 43215

Dear Mr. Attorney General,

This letter requests that your office launch an investigation into whether beneficiaries of Ohio pension funds and the Ohio Bureau of Workers' Compensation have been exploited by custodial banks when conducting foreign currency exchanges. I am concerned that the banks may have manipulated foreign currency trade prices in order to maximize the banks' profit, at the expense of Ohio public servants, businesses and taxpayers.

As Ohio Treasurer, I am the custodian of Ohio's five public employee pension funds and the Ohio Bureau of Workers' Compensation. The Ohio Public Employee Retirement System, School Employees Retirement System of Ohio, State Teachers Retirement System of Ohio, and the Ohio Police & Fire Pension Fund actively invest in foreign investments. As of April 30, 2011, these four funds held approximately \$170 billion in domestic and international assets, with approximately \$39 billion invested in international securities. Some of these pension funds have currently or previously entered into individual contracts with banks to perform foreign currency exchanges on their behalf. The Ohio Bureau of Workers' Compensation previously also held foreign investments that involved foreign currency exchanges. While each fund individually manages its investments and enters into contracts with banks to conduct foreign currency exchanges, I feel compelled to bring this to your attention under my duty as a watchdog for taxpayer funds.

I am concerned that custodial banks on contract with the state may have manipulated foreign currency exchange rates to mark up (for buys) and mark down (for sales) the prices paid by these funds. Rather than charging the market rate at the time of the order, these banks may have inflated their profits by charging close to the highest or lowest prices of the day depending on what was advantageous to them, not their client. If these banks engaged in this practice, the net result over thousands of international transactions and more than a dozen years might be that Ohio pensioners and businesses paid tens of millions of dollars more than market rates.

Ohio would not be alone in investigating whether custodial banks have been exploiting state funds. There are currently investigations or lawsuits underway by other states, including California, Florida, North Carolina and Virginia against banks alleged to have participated in this practice. In each state there is concern that foreign currency exchange rates were



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manipulated, possibly in violation of law or contracts. The Securities and Exchange Commission also recently launched an investigation into this matter. I share these concerns, and believe that it warrants a full investigation.

I respectfully request that you, as Attorney General, investigate the practices of custodial banks under contract with state funds to conduct foreign currency exchanges. It is important to determine whether the banks manipulated or falsified foreign currency transaction prices to benefit the banks and disadvantage the beneficiaries of the pension funds or Ohio businesses. I also request that your office investigate whether the custodial banks concealed their profits on the markups or markdowns from these funds. If your investigation determines that unlawful practices occurred, I respectfully request that the Attorney General's office seek to recover damages, costs, attorneys' fees, and any penalties, on behalf of Ohio public servants, businesses and taxpayers. Thank you for your attention to this matter.

Sincerely,
Josh Mandel
State Treasurer of Ohio

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