

Hugh Son Dakin Campbell Greg Farrell and Tom Schoenberg write: The U.S. Justice Department is seeking criminal guilty pleas from the parent companies of banks that are poised to admit to rigging foreign-exchange markets, said people briefed on the negotiations.

Four global banks -- Citigroup Inc., JPMorgan Chase & Co., Barclays Plc and Royal Bank of Scotland Group Plc -- plan to plead guilty in coming days to antitrust violations related to manipulating currency rates, people familiar with the matter have said. Some of the pleas will be made by the banks' holding companies instead of individual units, two people said on Tuesday.

At least two of the banks sought to make their pleas from overseas subsidiaries, only to have the Justice Department counter that the admissions should come from their main banking units, according to a person briefed on the talks. They are discussing a compromise in which the holding companies would make the pleas, and that would be consistent with other banks, the person said.

UBS Group AG, the fifth bank that these people have said will reach a settlement, will take a different path: The Justice Department is poised to tear up an earlier agreement not to prosecute UBS in connection with interest-rate manipulation, according to a person familiar with the talks.

The Zurich-based bank is shielded from antitrust charges because it was an early cooperator in the foreign-exchange probe, people familiar with the situation have said. But an admission of wrongdoing in the currency matter could place it in violation of a non-prosecution agreement it struck with the Justice Department more than two years ago to resolve a worldwide investigation into the manipulation of the London interbank offered rate, or Libor.

The Justice Department would look tough winning guilty pleas from parent companies, helping to assure critics that it's not letting banks relegate wrongdoing to smaller units that would be little affected by the consequences.

Banks, in turn, may benefit by having holding companies enter the plea, enabling them to avoid potential business disruptions to operating units, said Arthur Wilmarth, a professor at George Washington University School of Law. For example, he said, a guilty plea by a chartered bank might place its trading positions at risk, including by allowing counterparties to pull out of trades, he said.

Keeping the plea at the holding company level will also keep it away from operating subsidiaries, each of which relies on a specific U.S. regulator to oversee its operations, said Lawrence Baxter, a professor at Duke University School of Law.

"They put the culpability outside of the direct review of the regulators who grant the bank units their licenses," said Baxter.

Spokesmen for the five banks and the Justice Department declined to comment.

Freeze Markets

While the Justice Department initially pushed for the settlements to be announced Wednesday, the accords won't be announced until next week at the earliest, two people said.

Bank executives have long argued that guilty pleas could destroy their firms and freeze markets, but the Justice Department has in recent years extracted such admissions without dramatic market repercussions. That's in part because banks have managed to get permission from regulators to keep doing business in areas that would normally be closed to them after a guilty plea, with news of the imminent deals communicated in advance to investors.

Temporary Reprieve

That's what happened last year with BNP Paribas SA, the parent company of the French banking group, which pleaded guilty to violating U.S. sanctions by processing transactions involving Sudan, Iran and Cuba. The bank's shares rose after the settlement was announced.

Following last year's plea, BNP Paribas was granted a temporary reprieve from an investment adviser ban by the U.S. Securities and Exchange Commission. It also sought, and was ultimately granted, a waiver from the U.S. Labor Department allowing it to continue to serve as a qualified professional asset manager despite the guilty plea.

The Justice Department had pressed for a guilty plea from Citigroup's main banking subsidiary, while the firm countered with an offer that the plea come from a smaller unit, people briefed on the matter said in April. Citibank NA accounted for more than 70 percent of the company's revenue last year.