



U.S. Department of Justice

Criminal Division

Fraud Section

BY ECF (REDACTED)
AND E-MAIL (UNREDACTED)

February 1, 2019

Honorable Paul A. Engelmayer
U.S. District Court for the Southern District of New York
Thurgood Marshall United States Courthouse
40 Foley Square, Courtroom 1305
New York, NY 10007

Re: United States v. Parietti, 16-cr-373 (PAE)

Dear Judge Engelmayer,

The government respectfully submits this letter to advise the Court of the substantial assistance defendant Timothy Parietti has provided in the investigation and prosecution of others. In light of this assistance, and assuming Mr. Parietti continues to comply with the terms of his cooperation agreement, commits no additional crimes before sentencing, and appears for his sentencing as scheduled on February 8, 2019, the government intends to move, pursuant to U.S. Sentencing Guidelines section 5K1.1, for a downward departure from the guidelines.

I. Background

A. History and Characteristics of the Defendant

Timothy Parietti, 52, is currently unemployed and resides in St. Petersburg, Florida. Mr. Parietti received his bachelor's degree in 1988, served in the United States Army from 1988 to 1991, and earned his master's degree in 1995. Shortly thereafter he entered the banking industry. In 2000, Mr. Parietti joined Deutsche Bank, where he worked as a director and later managing director on Deutsche Bank's Money Market Derivatives desk in New York, New York. In that position, Mr. Parietti traded derivatives products on behalf of Deutsche Bank, the profitability of which depended in part on the direction in which the London Interbank Offered Rate (LIBOR) moved. Mr. Parietti has no criminal history.

B. Guilty Plea and Criminal Conduct

On May 26, 2016, Mr. Parietti pled guilty to the only count of an information charging him with conspiracy to commit wire fraud and bank fraud for his role in a scheme to manipulate the U.S. Dollar (USD) LIBOR. At the time of his guilty plea and during the trial of co-conspirators Matthew Connolly and Gavin Black, who were convicted by a jury in October 2018, Mr. Parietti admitted he and other Deutsche Bank traders and LIBOR submitters schemed to rig

LIBOR by causing Deutsche Bank to make LIBOR submissions to the British Bankers' Association (BBA) that were calculated to benefit the bank's derivative trading positions rather than a good-faith estimate of its borrowing costs, which is what the BBA's definition of LIBOR required. The BBA used these submissions to calculate the overall LIBOR rates, which were then used to settle Deutsche Bank's trades with its counterparties, to the counterparties' disadvantage.

Mr. Parietti testified that he and other Deutsche Bank traders, including Mr. Connolly and Mr. Black, asked Deutsche Bank's LIBOR submitters to alter the bank's LIBOR submissions to suit their trading positions, and that the submitters accommodated those requests. Mr. Parietti explained that Mr. Connolly, his supervisor, instructed him to make such requests. *E.g.*, *United States v. Connolly & Black*, 16-cr-370 (CM) (S.D.N.Y.), Trial Transcript ("Trial Tr.") at 1008:13-1009:12 (excerpts attached as Exhibit A). Mr. Parietti also testified that he understood this conduct was wrong—it was "clear that it wasn't fair and objective if, you know, the submitters were biasing [their submissions] to make their own bank more money" at the expense of its trading counterparties, Trial Tr. 1010:3-10—and he was candid in admitting that he was not truthful when first interviewed by law enforcement. *E.g.*, Trial Tr. 1389:14-19. Mr. Parietti has been free on bond since his initial appearance and has committed no violations of the terms of his release.

C. Sentencing Guideline Calculation

The government submits that, before a departure for substantial assistance, Mr. Parietti's adjusted offense level is 28, representing seven levels for a base offense under U.S.S.G. § 2B1.1(a)(1); eighteen levels for intended loss under § 2B1.1(b)(1)(J);¹ two levels for ten or more victims under § 2B1.1(b)(2)(A)(i); two levels for substantial commission outside the United States under § 2B1.1(b)(10)(B); two levels for abuse of a position of trust or use of a special skill under § 3B1.3; and a three-level reduction for acceptance of responsibility under § 3E1.1(a) and (b). Because Mr. Parietti has no criminal history, and is therefore in criminal history category I, his sentencing guidelines range is 78-97 months in Zone D.

II. Mr. Parietti's Cooperation

Mr. Parietti provided substantial assistance to the government in its investigation and prosecution of Mr. Connolly and Mr. Black, both before and throughout trial. Mr. Parietti's cooperation began in early 2016, when he made himself available for two proffer-protected interviews with the FBI and prosecutors, before ultimately pleading guilty in May 2016.

¹ The government estimates that if USD LIBOR was successfully moved one-eighth of a basis point (0.00125%) for each request made by Mr. Parietti or his co-conspirators, Deutsche Bank's counterparties would have suffered losses totaling \$4,671,149.07. In addition, the government estimates that global financial markets, including consumer products, would have suffered losses totaling approximately \$500 million. The government has provided the global financial loss figure for informational purposes and does not take the position that it should be used for determining the offense level increase under U.S.S.G. § 2B1.1(b)(1). Instead, the government's position is that the loss amount for purposes of sentencing should be \$4,671,149.07, and thus, the offense level would be increased by 18.

Mr. Parietti's decision to accept responsibility for his crime and plead guilty conserved judicial and prosecutorial resources and allowed the government to focus its efforts on other aspects of the investigation.

Mr. Parietti then submitted himself to twelve interviews and trial preparation sessions. Most of these were in-person sessions, which involved Mr. Parietti sitting for hours in a conference room with FBI agents and prosecutors reviewing audio recordings, written electronic chats and emails, and trading data. Four of these sessions spanned multiple days. And although Mr. Parietti and his family relocated to St. Petersburg, Florida in June 2017, he continued to make himself available to meet in both New York, New York and Washington, D.C.

Mr. Parietti undertook countless hours of work in preparation for these sessions, listening to hundreds of hours of audio recordings and reviewing thousands of documents to identify those of most use to the government. He was responsive and diligent throughout this process and readily took on his role as a cooperator. Mr. Parietti also identified inculpatory materials the government did not fully appreciate until he brought them to prosecutors' attention, including instances in which Mr. Connolly asked Deutsche Bank's LIBOR submitters to make submissions that would benefit Mr. Parietti's trades, as well as other documents implicating Mr. Connolly and Mr. Black in the scheme. Mr. Parietti also helped the FBI and prosecutors understand the mathematics behind various calculations involved in setting LIBOR and determining payments on trades.

At all times during his cooperation, Mr. Parietti tried his utmost to give complete and candid answers.² Unlike many cooperating witnesses in economic crimes cases, once he agreed to cooperate, Mr. Parietti was forthcoming about his participation in the scheme and made no effort to minimize his role. This allowed prosecutors to use their time with Mr. Parietti to focus on the scheme and explore the evidence instead of devoting energy to convincing him to accept responsibility for his actions.

The trial of Mr. Connolly and Mr. Black was mentally and physically demanding for Mr. Parietti. He continued to answer any and all questions as the trial progressed and ultimately provided two days of testimony on direct examination and intense cross-examinations by both defense counsel, who repeatedly attacked his recollection and veracity. Mr. Parietti's preparation sessions and testimony together spanned nearly two weeks. [REDACTED]

Notwithstanding those challenges, Mr. Parietti was a credible and helpful witness. He also was candid about his culpability and helped the jury understand dozens of communications laced with lingo and technical trading language. Mr. Parietti's explanations for how the scheme worked and why it was dishonest were persuasive, as evidenced by the jury's verdicts against both Mr. Connolly and Mr. Black.

² While Mr. Parietti was not so candid and generally denied his conduct in his initial, "knock-and-talk" interview with the FBI, this was prior to his cooperation with the investigation.

III. Conclusion

As described above, Mr. Parietti has made his best efforts to provide substantial assistance in connection with the investigation and prosecution of Mr. Connolly and Mr. Black, and he has helped conserve judicial and prosecutorial resources. The government thus urges the Court to grant its motion for a downward departure from the sentencing guidelines pursuant to U.S.S.G. § 5K1.1.

Respectfully submitted.

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