



JOSH MANDEL

STATE TREASURER OF OHIO

Treasurer Designates New International Custodians for Ohio Pension Funds; Move Follows \$16 Million Lawsuit Filed by Ohio Attorney General Against BNY Mellon, Prompted by Treasurer-requested Investigation into Foreign Currency Transactions

COLUMBUS ‐ State Treasurer of Ohio Josh Mandel has been fighting to protect Ohio pension funds from fraud and illegal activity for the last two years, in the wake of allegations across the country that East coast banks have been systematically exploiting public pension funds and taxpayers. Treasurer Mandel announced today that he will replace Ohio's international custodians, Bank of New York Mellon and Boston-based State Street bank, who were appointed to hold public funds under the previous Treasurer and have been accused of defrauding pension funds in Ohio and numerous other states. The Treasurer today designated new international custodians for \$41 billion in international assets of Ohio's public pension funds.

"As the chief watchdog of Ohio's tax dollars I feel a responsibility to root out fraud wherever I see or smell it. The pattern of fraud that has been detailed and alleged across the country against banks entrusted to safeguard funds for Ohio teachers, police, firefighters, and retirees is an extreme breach of the public trust. I have been fighting against abuse and corruption in banks that serve as international custodians for Ohio pension funds for the last two years, and as Treasurer I feel that I have a duty to end custodial agreements with banks being sued for defrauding taxpayers," said Treasurer Mandel. "Last year I requested an investigation into whether banks providing international custody services in Ohio were exploiting pension funds when conducting foreign currency exchange transactions. I would like to commend Attorney General Mike DeWine for aggressively pursuing banks that may have engaged in illegal activity and for his recent decision to file a lawsuit to recoup \$16 million for Ohio pension funds. His findings reinforced my decision to designate new international custodians for Ohio pension funds to safeguard retiree and taxpayer dollars."

Treasurer Mandel's move to designate new international custodians follows a \$16 million lawsuit filed by Ohio Attorney General Mike DeWine on March 12, 2012, against Bank of New York Mellon alleging fraud, deceptive practices and breach of contract when conducting foreign currency exchange transactions. State Street is currently being sued by the U.S. Department of Justice and numerous other states over similar fraud and deceptive practice allegations.

After a thorough review of proposals from financial institutions interested in providing custodial services for Ohio, Treasurer Mandel made the decision to replace Bank of New York Mellon and State Street banks and to designate new international custodians for Ohio's pension funds and other taxpayer supported entities. Today, Treasurer Mandel designated the following international custodians for the four Ohio public pension funds that deal in international securities:

Fund Name

New Bank Designee

30 EAST BROAD STREET · 9TH FLOOR · COLUMBUS, OHIO 43215
PHONE: (614) 466-2160 · WWW.OHIOTREASURER.GOV · FAX: (614) 644-7313



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Prior Designee

Ohio Public Employees
Retirement System

JP Morgan

State Street

Ohio Police & Fire
Pension Fund

JP Morgan

State Street

School Employees
Retirement System

Citi Bank

BNY Mellon

State Teachers
Retirement System

Citi Bank

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State Street

International custodians hold investments such as securities, stocks and bonds, and conduct financial transactions on behalf of pension funds. Treasurer Mandel announced these designations after evaluating proposals from all financial institutions interested in providing international custody services for the state of Ohio, and after consulting with Ohio pension funds. International custody agreements going forward will include safeguards to protect Ohio pension funds from fraudulent or deceptive practices by banks conducting foreign currency exchange transactions.

Background

Treasurer Mandel has been leading the fight to investigate and root out fraud and deceptive practices against Ohio pension funds and taxpayers for the last two years. On June 14, 2011, Treasurer Mandel formally requested that the Attorney General investigate whether international custodians for the pension funds exploited Ohioans through foreign currency exchange transfers.

Last week, Ohio Attorney General Mike DeWine filed a lawsuit against The Bank of New York Mellon for deceptive foreign currency exchange practices. The lawsuit is on behalf of the Ohio Police & Fire Pension Fund (OP&F) and the School Employees Retirement System (SERS), and alleges breach of contract, fraud, violations of the Ohio Deceptive Trade Practices Act, and unjust enrichment. Attorney General DeWine is seeking damages in excess of \$16 million for losses to OP&F and SERS. Announcing the lawsuit, Attorney General DeWine alleged that BNY Mellon systematically overcharged these funds on foreign currency transactions and "violated the terms of their custodial agreements with the Ohio funds, and exploited the volatility of the foreign currency market to their advantage at the expense of Ohio pensioners and their families."

Resources

[View a timeline of actions taken by Treasurer Mandel and officials in other states over the last two years to investigate and prosecute alleged fraud](#)

[View Treasurer Mandel's letter requesting an investigation into banks conducting foreign currency exchanges on behalf of Ohio pension funds](#)

[View Attorney General DeWine's announcement that he filed a complaint against the Bank of New York Mellon for deceptive foreign currency exchange practices](#)

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