LIBOR - Barclays

Related Lawyers: **Anthony Maton**, **Lianne Craig**, **John McElroy**, **David Lawne**

The Financial Services Authority (FSA) has fined Barclays Bank PLC (Barclays) £59.5 million for misconduct relating to the London Interbank Offered Rate (LIBOR) and the Euro Interbank Offered Rate (EURIBOR).

LIBOR and EURIBOR are benchmark reference rates; fundamental to the operation of both the UK and international financial markets, including markets in interest rate derivatives contracts (forward rate agreements, swaps, options and futures). LIBOR and EURIBOR require contributing banks to evaluate the rates at which money may be available in the interbank market when determining their submissions.

Barclays' severe breaches of the FSA's requirements encompassed a number of issues, involved a significant number of employee's namely derivatives traders and occurred between January 2005 and May 2009.

The FSA concluded that Barclays made submissions which formed part of the LIBOR (mainly US Dollar LIBOR and to some extent Yen LIBOR) and EURIBOR rate setting process which took into account requests from Barclays derivatives traders. These traders were motivated by profit and sought to benefit Barclays' trading positions. The FSA detailed in its final notice that between January 2005 and May 2009, 'at least 173 requests for US dollar LIBOR submissions were made to Barclays submitters'. As for Yen LIBOR, between August 2006 and June 2009, 'at least 26 requests for Yen LIBOR submissions were made to Barclay's submitters'.

Moreover, the FSA found that employees at Barclays tried to influence the EURIBOR (to a lesser extent LIBOR) submissions of other panel banks contributing to the rate setting process. Between February 2006 and October 2007, Barclays derivatives traders, made at least 63 requests to external traders with the aim those traders would pass on the requests for EURIBOR and US dollar LIBOR submissions to their banks submitters.

The FSA also discovered that Barclay's had reduced its LIBOR submissions during the financial crisis as a result of senior management's concerns over negative media comment at the time. Consequently, the concerns led to instructions being given by less senior managers to Barclays' submitters to lower their LIBOR submissions at particular times of market stress.

We would be interested to hear from any individuals and/or organisations which have entered into LIBOR referenced direct interest rate derivatives contracts (forward rate agreements, swaps, options and futures), exchange traded interest rate contracts and floating rate note holders with Barclays (US Dollar, Yen, Sterling and Euro) between January 2005 and May 2009.

Relevant sources:

1. FSA article

2. FSA Final Notice to Barclays
3. Settlement between U.S. Commodity Futures Trading Commission and Barclays
4. U.S. Department of Justice article
5. U.S. Department of Justice Statement of Facts