LIBOR - RBS

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RBS fined £87.5 million for rigging LIBOR interest rate

The Financial Services Authority (FSA) fined Royal Bank of Scotland plc (RBS) £87.5 million for misconduct relating to the London Interbank Offered Rate (LIBOR).

RBS's breaches of the FSA's requirements covered a number of issues, involved at least 21 derivatives and money market traders and at least one manager. The misconduct occurred between January 2006 - November 2010 in various locations around the globe including UK, Japan, Singapore and USA.

The FSA concluded that RBS when making submissions concerning JPY and CHF LIBOR took into account requests made by its derivatives trader's. Traders were primarily motivated by profit and sought to benefit RBS's derivatives trading positions. For instance, between December 2008 and November 2010, at least 96 written requests were made to primary submitters in relation to JPY and CHF LIBOR.

Moreover, RBS allowed its derivatives traders to act as substitute submitters (when primary submitters were away on holiday) and make JPY LIBOR submissions that took into account their own derivatives trading positions and the positions of other derivatives traders. This presented a fundamental conflict of interests, which was missed by RBS's management.

However, the misconduct which took place at RBS was not confined to internal requests within RBS. RBS derivatives traders colluded with other LIBOR panel banks and interdealer brokers firms to influence the JPY LIBOR submissions made by other panel banks.

RBS's derivatives traders and money market traders colluded with individuals at other panel banks and interdealer broker firms who sought to influence RBS's JPY and CHF LIBOR submissions. Additionally, RBS's money market traders took into account the impact of LIBOR and/or RBS's LIBOR submissions on the profitability of transactions in its money market trading books (money market traders had their bonuses linked to P&L accounts).

The misconduct found at RBS was widespread; at least 219 requests for inappropriate submissions were documented, not forgetting a number of oral requests, which were not documented. This misconduct was facilitated by RBS's failure to have adequate transaction monitoring systems and controls from January 2005 through to March 2012.

On the 11 February 2013, the Parliamentary Commission on Banking Standards heard evidence from senior employees of RBS, as part of the Commission's continuing investigation of the financial services sector. Amongst those called into give evidence was Stephen Hester, Group Chief Executive, RBS Group.

We would be interested to hear from any individuals and/or organisations which have entered into LIBOR traded interest rate contracts and floating rate note holders with RBS (CHF and JPY) between January 2006 - November 2010.

Relevant Sources:

1. FSA Final Notice

2. FSA Press Release
3. CFTC Order
4. CFTC Press Release
5. DOJ Press Release

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