A.G. Schneiderman Announces $100 Million Multi-State Settlement With Barclays Over Role Artificially Manipulating Interest Rates

News from Attorney General Eric T. Schneiderman

A.G. SCHNEIDERMAN ANNOUNCES $100 MILLION MULTI-STATE SETTLEMENT WITH BARCLAYS OVER ROLE ARTIFICIALLY MANIPULATING INTEREST RATES

Manipulated Interest Rates Hurt Government And Not-For-Profit Entities In New York And Across The Country

NEW YORK – Attorney General Eric T. Schneiderman today announced a $100 million, 44-state settlement with Barclays Bank PLC and Barclays Capital Inc. for fraudulent and anticompetitive conduct involving the manipulation of U.S. Dollar (USD) LIBOR (the London Interbank Offered Rate) and other benchmark interest rates. Benchmark interest rates affect financial instruments worth trillions of dollars and have a widespread impact on global markets and consumers because LIBOR may determine how much they will be paid on their investments. New York and Connecticut led the working group of State Attorneys General investigating Barclays.

"There has to be one set of rules for everyone, no matter how rich or how powerful, and that includes big banks and other financial institutions that engage in fraud or impair the fair functioning of financial markets," said **Attorney General Schneiderman**. "As a result of Barclays' misconduct, government entities and not-for-profits were defrauded of funds that otherwise could have been used to benefit the people of New York."

During the relevant time period, a panel of 16 banks made USD LIBOR submissions that were supposed to reflect borrowing rates in the interbank market. A daily LIBOR rate was calculated by averaging the middle eight submissions. The investigation found that, at times during the financial crisis period, roughly from 2007-2009, Barclays managers told LIBOR submitters to lower their LIBOR settings to avoid the appearance that Barclays was in financial difficulty and needed to pay more than some of its competitors to borrow money. The LIBOR submitters complied with the instructions and suppressed their LIBOR submissions. Also, from 2005 to 2007 and continuing at least into 2009, Barclays' traders at times asked Barclays' LIBOR submitters to change their LIBOR settings in order to benefit the traders' positions, and the submitters often followed through on the requests, instead of setting LIBOR based on Barclays' borrowing costs. Barclays also believed that other banks' LIBOR submissions likewise did not reflect their true borrowing rates, and that therefore, published LIBOR did not reflect the cost of borrowing funds in the market, as it was supposed to do.

Government entities and not-for-profit organizations in New York and throughout the U.S., among others, were defrauded of millions of dollars when they entered into swaps and other financial contracts with Barclays without knowing that Barclays and other banks on the USD-LIBOR-setting panel were manipulating LIBOR—a price component -- and, at times, colluding with other banks.

These entities with LIBOR-linked swaps and other investment contracts with Barclays will be notified if they are eligible to receive restitution from a settlement fund of $93.35 million. The balance of the settlement fund will be used to pay expenses of the investigation and for other uses consistent with state law.

Barclays is the first of several USD-LIBOR-setting panel banks under investigation by the State Attorneys General to resolve the claims against it, and Barclays has cooperated with the investigation from the outset. The Attorney General's Office benefits from the information and evidence provided by corporations that choose to cooperate with the Attorney General's investigations. Such cooperation can facilitate civil enforcement efforts, including restitution for victims of the offense.

Other states joining New York in the Barclays settlement include: Alabama, Alaska, Arkansas, Arizona, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin & Wyoming. The investigation into the conduct of several other USD LIBOR-setting panel banks is ongoing.

The New York Attorney General's investigation into LIBOR manipulation is led by Antitrust Deputy Bureau Chief Elinor R. Hoffmann, Assistant Attorney General Emily Granrud, Volunteer Assistant Attorney General Alex Cohen and Legal Assistant Arlene Leventhal of the Antitrust Bureau, and Senior Enforcement Counsel Roger Waldman and Assistant Attorney General Desiree Cummings of the Investor Protection Bureau. Director of Economics, Guy Ben-Ishai, also provided valuable assistance. The Antitrust and Investor Protection Bureaus are part of the Economic Justice Division, which is led by Executive Deputy Attorney General for Economic Justice Manisha M. Sheth.

A copy of the Settlement Agreement can be found here.

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