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Attorney General Balderas Announces $100 Million Settlement with Barclays for Manipulating LIBOR

LIBOR manipulation hurt government and not for profit entities in New Mexico and across the country

Santa Fe, NM - Attorney General Hector Balderas today announced a $100 million settlement with Barclays Bank PLC and Barclays Capital Inc. for fraudulent and anticompetitive conduct involving the manipulation of LIBOR. This is a benchmark interest rate that affects financial instruments worth trillions of dollars and has a widespread impact on global markets and consumers. Among the entities that stand to benefit from the settlement are the Public Employees Retirement Association of New Mexico and the New Mexico Educational Retirement Board.

“Corporations who harm New Mexico families and taxpayers will be held accountable,” said Attorney General Hector Balderas. “No matter how big or small, we will ensure corporations pay their fair share to our state and our office will aggressively recover funds when our citizens are harmed.”

Government entities and not-for-profit organizations in New Mexico and throughout the U.S. were defrauded of millions of dollars when they entered into swaps and other investment instruments with Barclays without knowing that Barclays and other banks on the U.S. dollar (USD)-LIBOR-setting panel were manipulating LIBOR and colluding with other banks to do so.

Governmental and not-for-profit 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 costs and expenses of the investigation and for other uses consistent with state law.

The investigation, conducted by a multistate working group of 44 state attorneys general revealed that Barclays manipulated LIBOR through two different kinds of fraudulent and anticompetitive conduct. First, during the financial crisis period of roughly 2007-2009, Barclays' managers frequently told LIBOR submitters to lower their LIBOR settings in order to avoid the appearance that Barclays was in financial difficulty and needed to pay a higher rate than some of its peers to borrow money. The LIBOR submitters complied with the instructions and suppressed their LIBOR submissions during that period. Second, at various times from 2005 to 2007 and continuing at least into 2009, Barclays’ traders asked Barclays’ LIBOR submitters to change their LIBOR settings in order to benefit their trading positions, and the submitters often agreed to the requests. At times, those requests came from traders outside the bank, and Barclays traders agreed to pass them along to Barclays’ submitters, thus colluding with other banks. 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.

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 fully from the outset. The Office of the Attorney General benefits from the information and evidence provided by corporations that elect to cooperate with the Attorney General’s investigations. Such cooperation can facilitate civil enforcement efforts, including restitution for victims of the offense.

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