RE: BBA Libor review meetings

Cross, Michael

Sent: 19 May 2008 15:48

To: Tucker, Paul;

Cc:

and I have discussed. We'll find a way to make that point deftly.

-----Original Message-----
From: Tucker, Paul
Sent: Sunday, May 18, 2008 6:13 PM
To: Cross, Michael;
Cc:
Subject: Re: BBA Libor review meetings

I'm inclined to think that bba shd put out a proposal for consultation. I don't see that a group of junior bankers in london can decide this without a global debate. If you agree, feed rhat in in a deft way

If you don't agree, pl explain sun evening, monday am

Thanks

Paul

RE: Dollar libor

Sent: 20 May 2008 13:44

To: Tucker, Paul

Cc: Gleve, John; Lomax, Rachel;

Paul - could Tim write to the Governor please.

-----Original Message-----
From: Tucker, Paul
Sent: Monday, May 19, 2008 8:58 PM
To:
Cc: Gleve, John; Lomax, Rachel;
Subject: Dollar libor

Bill dudley called this evening at tim's request

Essentially he wanted guidance on the best way for tim to convey the nyfed's input to the bba review, eg

~tim writes to the G, who passes to bba

~tim writes direct to bba

~tim writes to G cc bba

~tim writes to bba cc G

~variants of above involving bill dudley and me

Tim v open to guidance on this Perhaps we shd briefly discuss.

On substance we didn't discuss much , except following brief snippets. They recomment a second fixing (a libor fixing) at 4pm, which I observe is 11am in nyc. They wld keep the 11am fixing so all fixings done at same time (mike c has made that point to me). All existing contracts wld continue to use 11am fixing. New ones cld choose. They shd be close if mkt works in normal conditions etc

Some recimmendations re governance and audit, but I don't know what. Suggesting that they don't disclose rates submitted by outer quartiles to avoid stigma

Paul

Call with John Ewan, BBA

Sent: 20 May 2008 18:06

To: Tucker, Paul; Cross, Michael

Cc: Markets - ED Office

Apologies that this came too late for the call with Knight, but I finally got through to Ewan.

- Readout from yesterday's meeting with banks is that evolution rather than revolution is most likely for Libor

- BBA don't expect a root and branch review. Ewan said -- off the record -- he expected there would be a clarification of definition plus some BBA education roadshow.

- Also, BBA would like panel banks to have to defend submissions at their Money Mkt and FX Committee, if they receive complaints.

- Anything more than clarification would probably be preceeded by a wider consultation (that was what happened following the significant previous change in definition in 1998).

- Ewan is meeting LIFFE to discuss exchange-traded SONIA derivs (the same people we know from MMLG, who are coming in to the Bank next week)

CONFIDENTIAL

[angela.knight on behalf of Angela Knight

Sent: 21 May 2008 16:40

To: Tucker, Paul

Sensitivity: Confidential

Attachments: minutes of Meeting 19 May ~1.doc (60 KB) ; BBA01-#316904-v1-Evolution~1.DOC (51 KB)

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This email has reached the Bank via the Internet or an external network

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Paul,

I attach a blow by blow account of the discussion that took place on 19th May on LIBOR. This discussion we are refusing to confirm so I would be grateful if you could keep this confidential. I also attach again a copy of the paper which was the focal point of the discussion.

I look forward to speaking to you soon.

Regards

Angela

Angela Knight CBE
Chief Executive

British Bankers' Association (BBA)
"The voice of banking and financial services"

Pinners Hall
105-108 Old Broad Street
London EC2N 1EX

Tel:
E-mail: angela.knight
Website: www.bba.org.uk

on behalf of Angela Knight

[angela.knight

Sent: 21 May 2008 16:52

To: Tucker, Paul

Sensitivity: Confidential

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This email has reached the Bank via the Internet or an external network

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Paul,

Further to my earlier email on LIBOR, here are the outstanding points for decision:-

1) what the definition of BBA LIBOR should be. do we need to tighten or loosen the definition of what an "inter-bank offer" is? Or do we simply define precisely what is meant by this term and issue a clarification to contributors and the market? Issues here include: is an inter-bank offer only an entry as seen on a broker screen? or could it include a bilateral deal done in the dark by two banks? Should cash produced through a currency swap be allowed?

2) The mechanism for increasing scrutiny of contributed rates. Should this be the BBA or the FX & MM committee? What sanctions should the body that scrutinises the rates be allowed? Should it operate by having a quiet word with contributors or through a codified process?

3) Rates must be submitted by the cash desks at banks, not the swap or other derivative teams, and should reflect the bank's own position, not the view of a broker. We need to find a way of ensuring this.

Regards

Angela

Angela Knight CBE
Chief Executive

British Bankers' Association (BBA)
"The voice of banking and financial services"

Pinners Hall
105-108 Old Broad Street
London EC2N 1EX

Tel:
E-mail: angela.knight
Website: www.bba.org.uk

on behalf of Angela Knight

[angela.knight(

Sent: 27 May 2008 15:57

To: Tucker, Paul

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This email has reached the Bank via the Internet or an external network
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Dear Paul,

The reason that I was trying to speak to you last week (and also of course this week) is in respect of LIBOR and the proposal that we will be putting into the public domain over the next few days.

I have discussed this at some length with the Fed and personally with Governor Krozenor, and we want to put into our statement that there are ongoing discussions with the Fed and the Bank of England.

I would therefore be grateful if you could get in touch with me - whilst I appreciate that you are on holiday, equally this is an important mater. It may be that you wish to delegate this to someone esle within in the Bank and if this is so, perhaps you could let me know.

Regardcs

Angela

Angela Knight CBE
Chief Executive

British Bankers' Association (BBA)
"The voice of banking and financial services"

Pinners Hall
105-108 Old Broad Street
London EC2N 1EX

Tel:
E-mail: angela.knight
Website: www.bba.org.uk

BBA's Annual Banking Conference & Dinner - 10 June 2008
To view the full programme, and register for the event visit www.bba.org.uk/annualbanking

The BBA is the leading UK banking and financial services trade association and acts on behalf of its members on domestic and international issues. Our 227 members are from 60 different countries and collectively provide the full range of banking and financial services. They operate some 130 million personal accounts, contribute £50bn to the economy, and together make up the world's largest international banking centre

Libor

Tucker, Paul

Sent: 28 May 2008 16:36

To:

Cc: Cross, Michael; Lomax, Rachel; Fisher, Paul; Gieve, John;

As agreed with G, I've been in touch with the biggest banks at one below ceo (diamond, cameron, gulliver, plus treasurer in first two cases) and have also taken a call from angela knight

Key point is that bba formal meeting is on 30/5 and , as meeting is known about, aknight feels bound to say something substantive then

But working level pre meeting held by bba last week was minded to conclude no change needed substantively, although some recognition of perceptions problem. AK seized, I think, that this won't quite do but I wld say doesn't know what to do. She does want to say that this isnrt a once and for all thing and that they're in dialogue with fed and bofe (I didn't wncourage or discourage)

Conversations with senior bankers will , I think, have worked in getting them to focus on it. Encouraged them to ensure that group treasuers, more senior than bba group, get into this and talk to eachother

I think its worth bba putting oput a cnsutative paper contalnung careful analysis and a whole range of options, substantively and for governance. AK not keen on term consulatation but does seem open to wider community commenting

I told ak and banks that mc cld be contacrt absentr mel But obvulously pgf too

Hope that helps. But I think we need tims leeter before deciding whether to give ak/bba a clear steer. Hasd it arrived yet. Bill dudley thoufht yesterday it wld come across today

Paul

Mr. Tucker / Mr. Cross
This seems wholly inadequate. What shd. we do?
31/5

From:
Sent: Friday 30 May 2008 19:06
To: Governors - GPS
Subject: FW: Result of BBA review: just "strengthening the oversight of BBA Libor"

Gov's o/n's please
-----Original Message-----
From: Cross, Michael
Sent: Friday, May 30, 2008 6:35 PM
To: ;
Cc: Fisher, Paul;
Subject: FW: Result of BBA review: just "strengthening the oversight of BBA Libor"

Tba of the BBA's Libor announcement

-----Original Message-----
From:
Sent: 30 May 2008 18:16
To: Markets - £ & FC Money Markets
Subject: Result of BBA review: just "strengthening the oversight of BBA Libor"

I can't spot any superficial changes to setting process, let alone more substantial. There has not even been any change to the composition of any of the panels (including the USD one).

And I can't detect any price reaction.

Individual Contributor Panel Banks are selected by the BBAs FX and Money Markets Advisory Panel after private nomination and discussions with the BBA LIBOR Steering Group, on the basis of reputation, scale of activity in the London market and perceived expertise in the currency concerned, and giving due consideration to credit standing.

http://www.bba.org.uk/bba/jsp/polopoly.jsp?d=145&a=13777

In accordance with the BBA LIBOR Definition the British Bankers' Association (BBA) has completed its review of the composition of the BBA LIBOR Contributor Panels. These are the banks that contribute to the BBAs LIBOR rate-setting process.

The composition of the Australian Dollar (AUD), Canadian Dollar (CAD), Swiss Franc (CHF), Danish Krone (DKK), Euro (EUR), Sterling (GBP), Japanese Yen (JPY), New Zealand Dollar (NZD), Swedish Krona (SEK) and US Dollar (USD) Panels are as follows:

Australian Dollar (AUD): 8 Banks

Barclays Bank plc
Commonwealth Bank of Australia
Deutsche Bank AG
HBOS

Lloyds TSB Bank plc
National Australia Bank Ltd
The Royal Bank of Scotland Group
UBS AG

There has been no change in the composition of the AUD contributor panel.

Canadian Dollar (CAD): 12 Banks

Bank of Montreal
Barclays Bank plc
Canadian Imperial Bank of Commerce
Deutsche Bank AG
HSBC
HBOS
JP Morgan Chase
Lloyds TSB Bank plc
National Bank of Canada
Rabobank
Royal Bank of Canada
The Royal Bank of Scotland Group

There has been no change in the composition of the CAD contributor panel.

Swiss Franc (CHF): 12 Banks

Barclays Bank plc
Citibank NA
Credit Suisse
Deutsche Bank AG
HSBC
JP Morgan Chase
Lloyds TSB Bank plc
Société Générale
The Bank of Tokyo-Mitsubishi, Ltd
The Royal Bank of Scotland Group
UBS AG
West LB AG

There has been no change in the composition of the CHF contributor panel.

Danish Krone (DKK): 8 Banks

Barclays Bank plc
Deutsche Bank AG
HSBC
JP Morgan Chase
Lloyds TSB Bank plc
Rabobank
The Royal Bank of Scotland Group
UBS AG

There has been no change in the composition of the DKK contributor panel.

EURO (EUR): 16 Banks

Bank of America
Barclays Bank plc
Citibank NA
Credit Suisse
Deutsche Bank AG
HBOS
HSBC
JP Morgan Chase
Lloyds TSB Bank plc
Rabobank
Royal Bank of Canada
Société Générale
The Bank of Tokyo-Mitsubishi Ltd
The Royal Bank of Scotland Group
UBS AG
West LB AG

There has been no change in the composition of the EUR contributor panel.

Sterling (GBP): 16 Banks

Abbey National plc
Bank of America
BNP Paribas
Barclays Bank plc
Citibank NA
Deutsche Bank AG
HBOS
HSBC
JP Morgan Chase
Lloyds TSB Bank plc
Rabobank
Royal Bank of Canada
The Bank of Tokyo-Mitsubishi Ltd
The Royal Bank of Scotland Group
UBS AG
West LB AG

There has been no change in the composition of the GBP contributor panel.

Japanese Yen (JPY): 16 Banks

Bank of America
Barclays Bank plc
Citibank NA
Deutsche Bank AG
HSBC
JP Morgan Chase
Lloyds TSB Bank plc

Mizuho Corporate Bank
Rabobank
Société Générale
Sumitomo Mitsui Banking Corporation Europe Ltd (SMBCE)
The Bank of Tokyo-Mitsubishi Ltd
The Norinchukin Bank
The Royal Bank of Scotland Group
UBS AG
West LB AG

There has been no change in the composition of the JPY contributor panel.

New Zealand Dollar (NZD): 8 Banks

Commonwealth Bank of Australia
Barclays Bank plc
Deutsche Bank AG
HSBC
JP Morgan Chase
Lloyds TSB Bank plc
National Australia Bank
The Royal Bank of Scotland Group

There has been no change in the composition of the NZD contributor panel.

Swedish Krona (SEK): 8 Banks

Barclays Bank
Deutsche Bank
HSBC
JP Morgan Chase
Lloyds TSB Bank plc
Rabobank
The Royal Bank of Scotland Group
UBS

There has been no change in the composition of the SEK contributor panel.

US Dollar (USD): 16 Banks

Bank of America
Barclays Bank plc
Citibank NA
Credit Suisse
Deutsche Bank AG
HBOS
HSBC
JP Morgan Chase
Lloyds TSB Bank plc
Rabobank
Royal Bank of Canada
The Bank of Tokyo-Mitsubishi Ltd
The Norinchukin Bank

The Royal Bank of Scotland Group
UBS AG
West LB AG

There has been no change in the composition of the USD contributor panel.

Individual Contributor Panel Banks are selected by the BBAs FX and Money Markets Advisory Panel after private nomination and discussions with the BBA LIBOR Steering Group, on the basis of reputation, scale of activity in the London market and perceived expertise in the currency concerned, and giving due consideration to credit standing.

The committee will be strengthening the oversight of BBA LIBOR. The details will be published in due course.

page display as pages

For further information, please contact:
Press Office (
Out of hours contact (

Notes to Editors:

In accordance with the BBA LIBOR definition, the BBA has reviewed the composition of the Contributor Panels for Australian Dollars, Canadian Dollars, Danish Krone, Euros, Japanese Yen, New Zealand Dollar, Swiss Francs, Sterling, Swedish Krona and US Dollars.

The BBA's FX and Money Markets Advisory Panel made the selections after private nomination and discussions with the BBA LIBOR Steering Group. The aim of the Advisory Panel is to ensure that the Contributor Panels broadly reflect the balance of activity in the London inter-bank deposit market.

Decisions on individual banks were taken on the basis of scale of activity in the London market, perceived expertise in the currency concerned, reputation, and due consideration of credit standing. Current and potential panel members were asked to provide data confidentially to the BBA about their cash and short-term FX swap business in each currency in order to measure their scale of activity.

The decisions represent the composite judgement of the Advisory Panel and the BBA is unable to comment on any individual Panel or bank.

The BBA is committed to reviewing the Panels at least annually.

to top

Transcript of Governor's written comments on email for Friday 30 May 2008 entitled Result of BBA review: just "strengthening the oversight of BBA Libor"

Mr Tucker/Mr Cross,

This seems wholly inadequate. What should we do?

31/05/08

Libor

Angela Knight [angela.knight

Sent: 31 May 2008 16:09

To: Tucker, Paul

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This email has reached the Bank via the Internet or an external network

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Paul,
I would like to update you if I may on what will be taking place next week.
Yesterday(friday) we merely confirmed existing panels and then said we would be giving details of strengthened governance in due course.
There was too much speculation to be able to say more and the overarching committee have been made to sign confidentiality agreements.
However I am not hanging about and hence mv nreference to speak to you before I speak to the Fed monday pm.
I am avaliable on my mob over the weekend
Regards
Angela

Angela Knight
Chief Executive Officer
British Bankers' Association

This message has been sent from a BlackBerry Device

LIBOR recommendations

on behalf of

Timothy.Geithner [Timothy.Geithner

Sent: 01 June 2008 22:00

To: King, Mervyn

Cc: Tucker, Paul

Attachments: LIBOR Recommendations_052708.pdf (20 KB)

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This email has reached the Bank via the Internet or an external network
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Please see message below which was sent last Tuesday, but you might not have received. Sorry for any inconvenience this delay might have caused.

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Mervyn:

We spoke briefly in Basel about the BBA's LIBOR regime, and you said you would welcome some suggestions.

I have attached a list of recommendations prepared by my staff. We would welcome a chance to discuss these and would be grateful if you would give us some sense of what changes are possible.

With best wishes.

Tim

May 27, 2008

Recommendations for Enhancing the Credibility of LIBOR
FRBNY Markets and Research and Statistics Groups

1. Strengthen governance and establish a credible reporting procedure

To improve the integrity and transparency of the rate-setting process, we recommend the BBA work with LIBOR panel banks to establish and publish best practices for calculating and reporting rates, including procedures designed to prevent accidental or deliberate misreporting. The BBA could require that a reporting bank's internal and external auditors confirm adherence to these best practices and attest to the accuracy of banks' LIBOR rates.

To further enhance perceptions of the BBA as an objective intermediary in the rate-setting process, we recommend greater transparency with respect to the financial relationships between the BBA and the panel banks, and around the BBA's financial interests in LIBOR.

2. Increase the size and broaden the composition of the USD panel

The BBA should increase both the size and the proportion of US banks on the USD panel. Currently, the only US banks on the panel are Bank of America, Citibank, and JPMorgan, but there are several other US banks active in this market and potentially eligible for inclusion in the panel, including Wachovia, State Street, Northern Trust, and BoNY. Subject to maintaining the panel's credit quality, the inclusion of more active US banks would produce a fixing that is more representative of the London interbank market and less susceptible to the specific funding issues of institutions that do not have a broad USD funding base.

3. Add a second USD LIBOR fixing for the U.S. market

The BBA should consider adding a second USD fixing to capture rates for transactions that occur when the US market is active. LIBOR rates for all ten currencies are currently published at 11am GMT, and this common timing is important to many participants in the FX swaps and other financial markets. However, the fixings occur prior to the opening of the New York market, and prevailing rates can change considerably once US-based sources of dollar liquidity arrive. A second fixing, during the New York trading session, would provide an additional benchmark rate more indicative of conditions during those hours of market activity.

For this second fixing, we recommend polling all the banks that participate in the 11am GMT panel, as well as any additional banks necessary to get an accurate representation of the USD funding market during the New York session. The BBA might emphasize that the introduction of a second fixing is being undertaken in tandem with efforts to enhance the credibility of the first fixing, and thus the second is intended to complement rather than replace the first.

4. Specify transaction size

Banks currently quote the rate at which they could borrow in "reasonable market size." To eliminate some of the ambiguity that comes with this definition, we recommend that the BBA provide more specific guidance as to the size of the transaction being referenced in the reported quoted rates. In addition, to reflect the fact that actual transaction sizes can fluctuate markedly with changes in market conditions, the BBA should consider allowing the transaction size it specifies to adjust flexibly over time, with these adjustments occurring either at a regular frequency or in response to significant changes in market conditions.

5. Only report the LIBOR maturities for which there is a net benefit

We recommend that, in consultation with panel banks, the BBA adopt guidance on consistent methods for determining quotes across the range of maturities of LIBOR. In addition, we recommend that the BBA consider reducing the number of maturities for which it solicits quotes and publishes rates. For tenors such as the 3-month tenor, LIBOR quotes provide valuable information to the public because of the volume of activity occurring at that tenor, while quotes for tenors at which little or no trading occurs, such as the 11-month, are less indicative and therefore less valuable. The current practice of soliciting rate quotes across 15 tenors, when only a subset of those tenors reflect meaningful market activity, likely leads to more subjective and formulaic responses across all tenors. By asking banks to quote fewer rates, the BBA may solicit higher quality responses for those more informative tenors, with relatively little value lost by excluding less informative tenors.

6. Eliminate incentive to misreport

If the combination of best practices and audit recommendations in (1) above seems unlikely to be sufficiently effective in ensuring accurate reporting, a complimentary approach might be to adopt the following process for collecting, calculating, and publishing LIBOR rates. The BBA could collect quotes from all members of the expanded panel, and then randomly select a subset of 16 banks from which the trimmed mean would be calculated. The names and quotes for the 8 banks whose rates are averaged to calculate the LIBOR fixing would be published. The banks' whose reports fall above or below the midrange would not be publicly identified, nor would the level of their outlying rates. This random sampling from an expanded panel would lessen the likelihood that the market would draw a negative inference regarding a particular bank's continued absence from the list of published quotes.[1]

[1] One potential drawback of this process is that it may introduce, or be expected to introduce, additional volatility into the LIBOR fixings. However, simulations based on historical LIBOR quotes suggest that a process of this sort would not dramatically affect the volatility or level of the fixing. We find that rates computed using this random process differ from the actual LIBOR fixings by, on average, by less than 0.2 basis points in the 3-month tenor.

RE: LIBOR recommendations

Cross, Michael

Sent: 02 June 2008 14:21

To: Fisher, Paul; Tucker, Paul

Cc:

There seem to be 2 thoughts underlying the NYFed proposals: first governance of the existing BBA process, and secondly, its London-centredness.

I pretty much agree with Paul and If the governance and oversight is credible, then I don't see a case for 5 or 6. 4 seems sensible, and even if the impact is small then transparency around the definitions should be helpful broadly (obviously they'd also need a transparent process around anny changes they make to the quantitative definition of "reasonable market size" in changing market circumstances).

2 and 3 seem about different aspects the London-centric nature of BBA Libor and the appropriateness of that. On 2, as says, if these US banks are active in dollar markets in London (and if they are BBA members) then prima facie you'd think they ought to be included. On 3, I agree with and Paul that it seems to create more difficult issues than it solves. Plus I'm not myself convinced that the problem (different term USD Libor rates in London and NY core trading hours) is anything other than a function of the current (admittedly prolonged) state of market dislocation. So it might go away with time.

So I think what we discussed a couple of weeks ago - a panel of senior bankers overseeing the BBA process (from within the BBA) is a way to go. That would involve the big American banks joining the BBA or the BBA getting them onto the panel. And on the basis of that, a strengthened and credible group, there could then be a consultation on the mechanics.

-----Original Message-----
From: Fisher, Paul
Sent: Mondav. June 02, 2008 12:40 PM
To: Tucker, Paul; Cross, Michael
Cc:
Subject: RE: LIBOR recommendations

I largely agree with specifically I thought:
1 - strengthening governance - is the main issue, although what they propose isn't very specifically about governance. 5 - don't quote for rates which aren't used in the market seems to be the other obviously sensible point.
4 - on transaction size - maybe worthwhile but wont have much impact.
2 - changing the panel is awkward given that BBA have just announced no change - but addressing the governance issues may lead t different answers - so best advanced through 1. 3 - a second fixing could create more problems than it solves. 6 - seems like too complicated a procedure - again, incentives should be addressed through a review of governance.

-----Original Message-----
From:
Sent: Monday, June 02, 2008 10:28 AM
To: Tucker, Paul; Cross, Michael; Fisher, Paul
Cc:
Subject: RE: LIBOR recommendations

Some initial thoughts.

Framing these proposals in and my earlier note, 1, 4, 5 and 6 are about improving governance of current definition.

- Point 1 seems sensible (other checks could also be added, eg randomly asking a panel bank what rate it would lend to another panel bank).

- 4 also seems sensible -- lack of clarity about what 'in size' means was one problem last August and forced the BBA to issue emergency clarification.

- Re 5, banks do need a Libor curve. But it may be sufficient to have o/n, 1-wk, 2-wk, 1, 3, 6, 9, 12mnths. Dropping some of the more obscure maturities may do no harm.

- 6 does not seem such a good idea. Unless the enlarged panel was very large and/or not disclosed, frequent absence from the middle 8 that are disclosed could still lead to stigma. But if stigma was eliminated, only the BBA would know because the lack of disclosure would mean peers (who are active in the market, unlike the BBA) could not monitor rates. Also, not obvious why you would want to randomly select 16 since this just wastes information, you might as well take the middle 8 from an enlarged panel.

Points 2 and 3 are about whether the current definition is sufficient to be a global derivatives benchmark. The FRBNY seem to think not.

- Re 2, any enlarged/different panel would presumably have to be BBA members (don't think Northern Trust and BoNY are). But the current USD panel probably could be improved from current BBA members. At the very least, there could be more transparency about how panel members are chosen. The current practice is "Panel Banks are selected by the BBAs FX and Money Markets Advisory Panel after private nomination and discussions with the BBA LIBOR Steering Group, on the basis of reputation, scale of activity in the London market and perceived expertise in the currency concerned, and giving due consideration to credit standing." Not obvious why Norinchukin and WestLB trump State Street on these criteria.

- On 3, a second US$ fixing based on an enlarged panel would create a new basis, which would typically reflect the average difference in credit quality of the panels as well as the average difference in liquidity between London and NY markets. If the governance issues were sorted out, we might expect this basis to be small and stable. In this case, the new fixing might just be a complement as they suggest. But if, over time, the NY fixing became the main reference there could be consequences for all sorts of products, eg exchange-traded derivs on LIFFE that settle at 12pm and therefore before the new fixing is available.

-----Original Message-----
From: Tucker, Paul
Sent: Monday, June 02, 2008 9:14 AM
To: Cross, Michael; Fisher, Paul
Cc:
Subject: Fw: LIBOR recommendations

Comments on each of the substantive points asap today pl. We have to get something to G by cob. But first let's decide what we think

Paul

----- Original Message -----
From:
To: King, Mervyn
Cc: Tucker, Paul
Sent: Sun Jun 01 22:00:03 2008
Subject: LIBOR recommendations

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This email has reached the Bank via the Internet or an external network
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Please see message below which was sent last Tuesday, but you might not have received. Sorry for any inconvenience this delay might have caused.

****

Mervyn:

We spoke briefly in Basel about the BBA's LIBOR regime, and you said you would welcome some suggestions.

I have attached a list of recommendations prepared by my staff. We would welcome a chance to discuss these and would be grateful if you would give us some sense of what changes are possible.

With best wishes,

Tim

RE: Review of Libor

Sent: 27 May 2008 10:43

To: Tucker, Paul

Cc: Cross, Michael; Fisher, Paul; Clews, Roger; Breeden, Sarah;

A survey in which contributors committed to deal in either direction at their submitted rates would have an advantage over transactions-based measure when markets are thin as they are at present beyond 1 week. But in the BBA's survey there is no such discipline to force submitted rates to reflect where transactions are or would be taking place. So why would a survey like that carry any information when there are no transactions occurring?

We're saying that the fact there is a fuss is a problem, because of (a) the effect on confidence and (b) feedback from the fuss into real volatility in the fixing (after the April 16 BBA warning). But it is poor governance that allows there to be a fuss, hence governance needs fixing. We also say that the difference between Libor and other empirical measures (H15, swaps) is _not_ itself evidence that Libor is distorted. (The Fed will know this - our argument is just a small extension of that in the JPM piece.) So the empirical evidence does not as yet justify reforming the _definition_ of Libor.

-----Original Message-----
From: Tucker, Paul
Sent: Friday, May 23, 2008 8:59 AM
To:
Cc: Cross, Michael; Fisher, Paul; Clews, Roger; Breeden, Sarah;
Subject: Re: NFR: Review of Libor

Many thanks. A few comments

~we say that a survey rather than transactions measure is a problem but doesn't a survey have advantages cos it gets shadow prices and doesn't reply on transactions occurring. Is that a weak point?

~are you saying that the fuss over dollar libor is misplaced? If so, I want to send some of the note to nyfed

Paul

-----Original Message -----
From:
To: Tucker, Paul
Cc: Markets - ED Office; ; Cross, Michael; Fisher, Paul
Sent: Thu May 22 19:36:44 2008
Subject: NFR: Review of Libor

Paul

Please find attached a note that we hope sets out some of the discussion we had last night.

Paul and Mike have seen.

Look forward to your comments,

BANK CONFIDENTIAL 22.05.08

MR TUCKER Copies to Mr Cross
Mr Fisher

From *ı*

Review of LIBOR

1 Even before the recent period of money market stress, some market participants complained that Libor did not necessarily reflect where banks were actually funding. Since August 2007, this problem has become more severe.

2 More recently, there has been a widely held view that the $ Libor fixings in particular are subject to material distortions—that they do not reflect true average $ funding costs for international banks. This culminated in a WSJ article on 16 April, which accused banks of shading down their US$ submissions for fear of looking desperate for cash. Later that day, the BBA issued a warning to panel banks to submit honest rates. In subsequent 3 days, the 3 month dollar Libor-OIS spread widened 12bps.

3 Opinions differ as to the size of the distortion. Empirical evidence is that $ Libor is lower than other measures of the cost of $ funding.

4 This note analyses potential problems with Libor, assesses whether the available evidence does support the hypothesis that it is currently distorted, and analyses potential reforms. Although it is $ Libor that is in the limelight at the moment, may of the problems described here, and the proposed reforms, apply to all currencies.

Fixing process, perception problem

5 The Libor problem has two fundamental sources: the nature of the fixing process (a survey not a traded rate), and its transformation from a measure of London money market conditions to the basis of a global derivatives market.

6 There is a long standing **perception** that Libor by virtue of the manner in which it is set is open to distortion: panel banks have no obligation to trade or to have traded at the rates that they submit, so it is at least *plausible* that these are influenced by commercial incentives. In normal times these might only have had a marginal effect, and could bias Libor different ways at different times. But this perception does mean that confidence in Libor is *fragile*.

And in the extreme conditions of the last eight months banks have been subject to the more powerful incentive of avoiding **stigma** from being seen to submit high rates reflective of what they are actually paying.

7 If stigma does influence submitted rates, it would tend to bias Libor downwards and/or narrow the dispersion of individual submissions. But it is not clear why the effect would be bigger in dollars, so this does not seem to be a good explanation for the alleged downward bias in $ Libor.

Libor as basis of derivatives market, timing of fix

8 The second source of the problem is the **tension** between the definition of Libor and the requirements of a modern fixing that underpins a global derivatives market. The definition is consistent with measuring London money market conditions, and pre-dates the emergence of a large, global derivatives market referencing Libor. The latter requires an index representative of global funding conditions for international banks.

9 Recently, this tension has manifested itself in the **timing** of the fix. In dollars, the credit crisis has seen consistently and materially easier funding conditions in London afternoon/New York morning than in London morning when the fixing is taken. If banks are sticking to the letter of the definition, this would bias the fixing upwards relative to average dollar funding rates across the whole trading day. Conversely, if banks are submitting rates that reflect where they expect to fund in the London afternoon, this would bias $ Libor *downwards* relative to the letter of the definition, but the fixing would be representative of true funding costs. Contacts at US banks suggest, though, that timing is not an important issue, i.e. that $ liquidity in London morning is good enough to be the basis for the fixing.

10 Timing is not the only issue, however, since Libor is determined by a panel of mainly European banks. So solving this tension might require extending the panel as well as changing the timing.

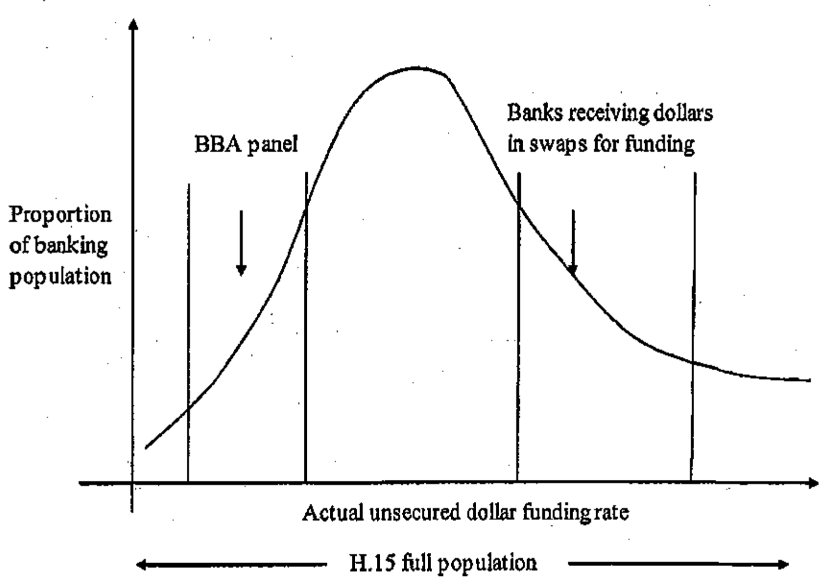
Empirical evidence

11 Two sources of empirical evidence that $ Libor is too low have been cited: the Fed's measure of Eurodollar deposit rates ('H.15'), and synthetic $ rates derived from £ Libor or

Euribor and fx swap prices (for example, £ funding can be transformed into $ funding by receiving dollars and paying sterling in an fx swap). Charts 1–4 show how spreads between these rates have widened.

12 However, we question whether this is robust evidence that $ Libor is too low, because the measures are *not necessarily based on the same set of banks*:

- Libor panel banks are amongst those with the highest credit rating, and outliers are excluded from the calculation
- The H.15 survey is a simple average of all Eurodollar deposits, so the sample of the full population of banks active in dollars.
- Market intelligence suggests that demand to receive $ in fx swaps has come from lower credit quality European banks. This, plus the existence of credit risk in a swap (settlement risk) and the availability of sterling or euro funding (from our LTR and the ECB) suggests that the pricing of swaps, and so the $ funding rates derived from them should reflect the lower credit quality of the banks that are on the dollar-receiving side of swaps.



13 The diagram illustrates the above points. The ordering of the three measures ($ Libor, H.15, fx swaps) is qualitatively consistent with the relative credit quality of the populations

of banks that contribute to each measure. This plus the general widening of credit spreads (e.g. Libor–OIS, dispersion within the Libor panel itself) and increased differentiation between credits mean that the widening of spreads between the three measures is *not* of itself evidence that $ Libor is too low.

Solutions

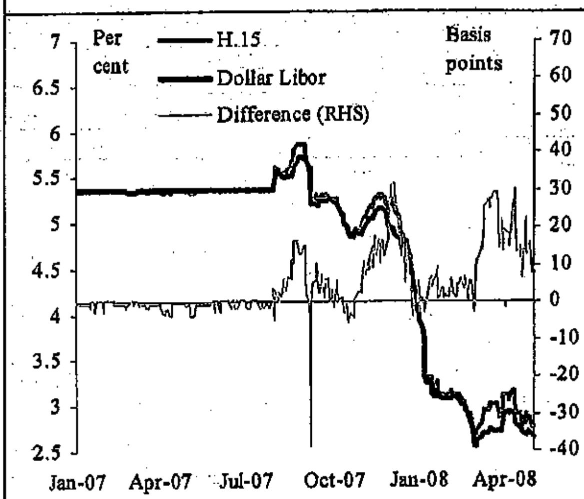
14 If the Libor definition (ie a measure of London money market conditions) *is* acceptable as a derivative fixing rate, then the problem is one of perception – and the consequent fragility of confidence in Libor – and could therefore be addressed by *reform of governance*, i.e. having governance that creates confidence that there is scrutiny of the process for submitting rates *at a suitably senior level* in each firm.

15 More radical measures might be considered to eliminate altogether the potential for banks' individual incentives to distort the fixing. Promoting the growth of the market for OIS, for example, which has the advantage of being based on an index of traded rates, and is already growing in liquidity thanks to the disconnect between Libor and policy rates. Or a process modelled on the Creditex CDS fixing method, where panel members commit to deal at the rates they submit. However, anything that represented a material change to the definition of Libor would run into large, if not necessarily insuperable legal problems around the status of existing contracts.

16 But if the current definition is not desirable, then improving governance alone will not be sufficient and further changes will be required. For example, a change in the US$ fixing time, the submission panel and/or the question asked. This would potentially run into a legal minefield.

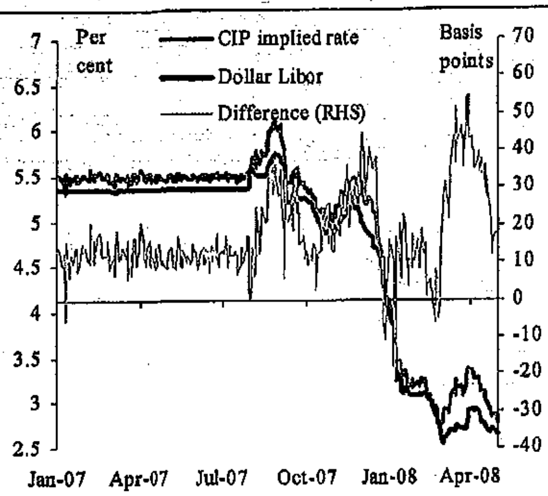
22 May 2008

Chart 1: $ Libor versus H.15



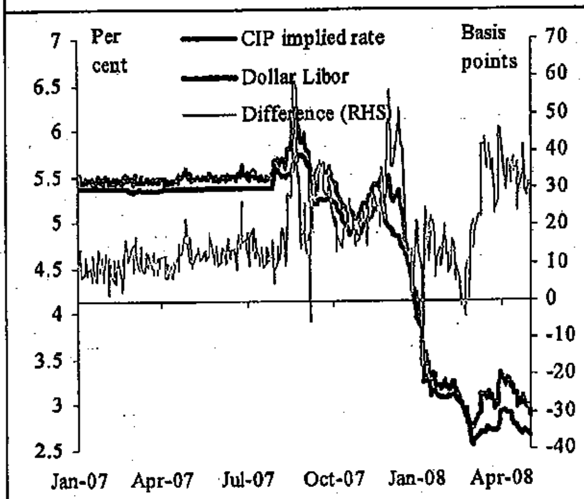
Sources: British Bankers' Association and Bank calculations

Chart 2: Spread of synthetic $ funding via £ Libor and fx swap over 3 month $ Libor



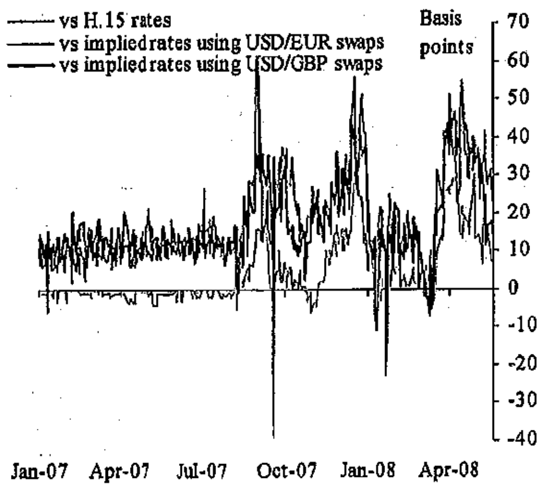
Sources: British Bankers' Association and Bank calculations

Chart 3: Spread of synthetic $ funding via Euribor and fx swap over 3 month $ Libor

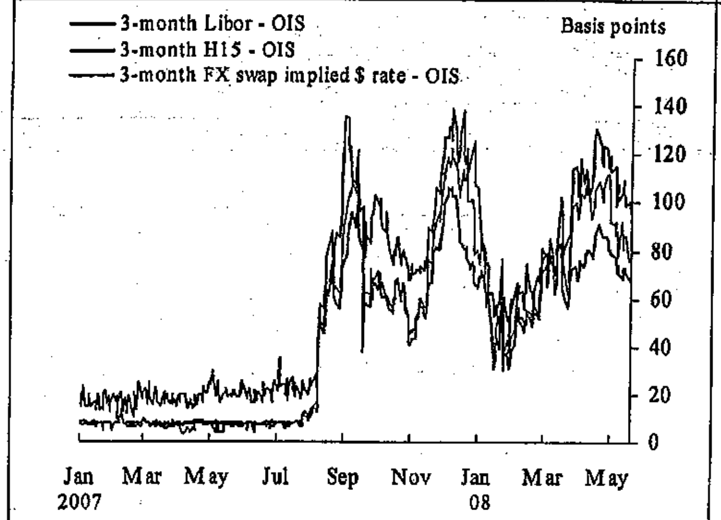
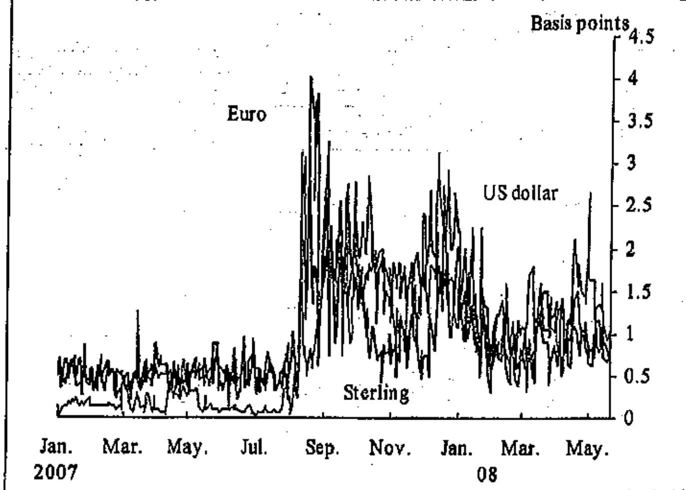
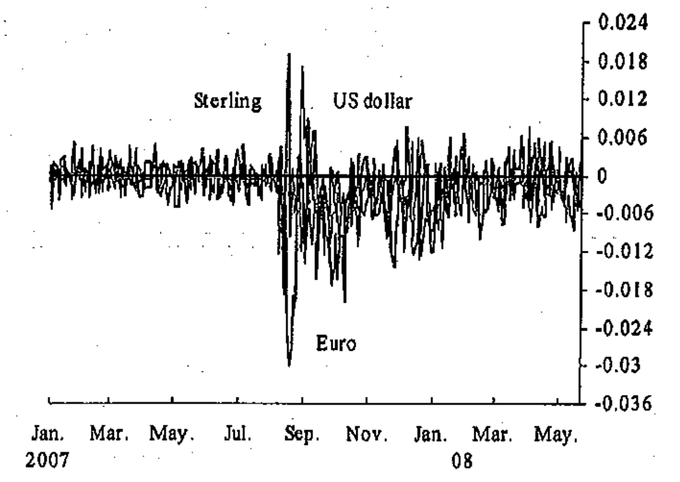


Sources: British Bankers' Association and Bank calculations

Chart 4: Spreads over Libor of H.15 and synthetic $ funding rates from fx swaps



Sources: British Bankers' Association and Bank calculations

Chart 5: 3 month $ Libor, FX swap implied rate and 'H15' spreads to OIS	Chart 6: Mean absolute deviation from three-month Libor fixings from Libor panel submissions
	
	Sources: British Bankers' Association and Bank calculations
Chart 7: Skew[c] in three-month Libor of Libor panel bank submissions	
	
[c]Uses mean less median Sources: British Bankers' Association and Bank calculations.	

Re: Libor

Angela Knight [angela.knigh

Sent: 02 June 2008 19:02

To: Tucker, Paul

Paul,
I appreciate that you are having a busy time.
I will update you if I may.
The bba will put out shortly a paper on libor. It will address governance and other issues and I have talked it over with the Fes this evening. They have agreed subject to caveats and getting the frameowk right to have a role in the new structure both in advising their views and in developing the panels.

They have our paper in near final draft.
and I am assuming you would too

I would like the Bank to participate similarly and propose to say so when we publish as again I am assuming that you would wish to do this.

I have spoken to the FSA similarly

Regards

Angela

Angela Knight
Chief Executive Officer
British Bankers' Association

This message has been sent from a BlackBerry Device

-----Original Message-----
From: Tucker, Paul <Paul.Tuck
To: Angela Knight <angela.knigl
Sent: Sun Jun 01 08:36:37 2008
Subject: Re: Libor

Angela

Will call you this evening

Paul

----- Original Message -----
From: Angela Knight
To: Tucker, Paul
Sent: Sat May 31 16:09:29 2008
Subject: Libor

****
This email has reached the Bank via the Internet or an external network
****

Paul,
I would like to update you if I may on what will be taking place next week.
Yesterday(friday) we merely confirmed existing panels and then said we would be giving details of strengthened governance in due course.
There was too much speculation to be able to say more and the overarching committee have been made to sign confidentiality agreements.

~~However I am not hanging about and hence my preference to speak to you before I speak to the Fed monday pm.~~
~~I am avaliable on my mob over the weekend~~
Regards
Angela

Angela Knight
Chief Executive Officer
British Bankers' Association

This message has been sent from a BlackBerry Device

Libor

Tucker, Paul

Sent: 02 June 2008 22:52

To:

Cc: Lomax, Rachel; Gieve, John; Rodgers, Peter; Wardlow, Andrew Cross, Michael; Fisher, Paul;

This evening I have spoken to aknight and nyfed

As I think I had conveyed already, bba plan to follow up fridays narrow announcement re the composition of libor panels with a broader paper. This may be published as early as wednesday and I think we will be sent an advanced draft tomorrow. An immediate question will be whether we want more time

The paper will contain quite a lot on governance. They will I think be suggesting that we, the fed and maybe fsa join the monitoring cttee

It will also contain stuff on possible technical changes to dollar libor etc, and/or more broadly to deal with the libor stigma problem

The fed has also been briefed and is pondering

I think the next step is to look at the draft paper.

Paul

Re: Libor

William.Dudley [William.Dudley

Sent: 02 June 2008 23:24

To: Tucker, Paul

I think a bit more time might be good.

----- Original Message -----
From: "Tucker, Paul" [Paul.Tucker
Sent: 06/02/2008 10:45 PM CET
To: William Dudley
Subject: Re: Libor

They are thinking of issuing a paper on wed. Immediate question is whether we want more time

-

----- Original Message -----
From: William.Dudley <William.Dudley
To: Tucker, Paul
Sent: Mon Jun 02 22:42:44 2008
Subject: Re: Libor

****
This email has reached the Bank via the Internet or an external network
****

Not me, but there was a conf call with Angela Knight of the BBA with some Fed folks including Gov Krozner. Give me a call at home tonight (or in the office tomorrow and I can fill you in on what I know. We may want to explore whether you and us have shared views on this with a goal of shaping the ultimate outcome. I understand the BBA is going to have a better policing regimen, using broker screens, but the governance still sounds a bit weak.

Best,
Bill

----- Original Message -----
From: "Tucker, Paul" [Paul.Tucker
Sent: 06/02/2008 08:09 PM CET
To: William Dudley
Subject: Libor

Have you been involved in the talks with the bba today ?

Best

Paul

-

URGENT: CONFIDENTIAL: LIBOR Paper

[angela.knight/] on behalf of Angela Knight

Sent: 03 June 2008 12:22
To: Tucker, Paul
Importance: High
Sensitivity: Confidential
Attachments: BBA01-#319064-v1-Construct~1.DOC (119 KB)

****
This email has reached the Bank via the Internet or an external network
****

Dear Paul

I attach the latest draft of our LIBOR paper complete with recommendations. We are proposing to publish after the BBA Wholesale Committee which sits tomorrow morning, 4 June. I would be grateful for any comments that you may have, if possible by the end of today.

Regards

Angela

Angela Knight CBE
Chief Executive

British Bankers' Association (BBA)
"The voice of banking and financial services"

Pinners Hall
105-108 Old Broad Street
London EC2N 1EX

Tel:
Email: angela.knight(
Website: www.bba.org.uk

Message for Mr Geithner from Governor King

Sent: 03 June 2008 13:16

To: timothy.geithner

Cc:

Importance: High

Mr Geithner,

Thank you for your email of 1 June concerning the BBA's Libor regime. The recommendations proposed by the New York Fed seem sensible to us. I have asked Paul Tucker to talk to Bill Dudley. We will ask the BBA to include in their consultation document the ideas contained in your note. I shall be happy to discuss this further with you.

With all best wishes.

Mervyn

RE: URGENT: CONFIDENTIAL: LIBOR Paper

Sent: 03 June 2008 15:03
To: Tucker, Paul
Cc: Cross, Michael; Fisher, Paul;
Importance: High
Sensitivity: Confidential

FSA, just called me.

They have also seen the paper and are concerned about it implying central banks and regulators are on board with the proposal and, in particular, para 13.2 which seems to suggest we will be involved in governance going forward.

is going to try and speak with the Fed also.

FSA will send comments to BBA later today or v early tomorrow. will brief us on the comments if we wish.

Please advise if there is anything else you want me to do.

-----Original Message-----
From: Tucker, Paul
Sent: Tuesday, June 03, 2008 12:47 PM
To:
Cc: Gieve, John; Lomax, Rachel; Cross, Michael; Fisher, Paul;

Subject: Fw: URGENT: CONFIDENTIAL: LIBOR Paper
Importance: High
Sensitivity: Confidential

The promised draft of the bba paper

hink the immediate question is whether we try to slow them down so that we and nyfed have got time to ly. I think bill dudley wld like time, although I don't yet know whether he has been sent it

Paul

----- Original Message -----
From:
To: Tucker, Paul
Sent: Tue Jun 03 12:22:01 2008
Subject: URGENT: CONFIDENTIAL: LIBOR Paper

****
This email has reached the Bank via the Internet or an external network
****

Dear Paul

I attach the latest draft of our LIBOR paper complete with recommendations. We are proposing to publish after the BBA Wholesale Committee which sits tomorrow morning, 4 June. I would be grateful for any comments that you may have, if possible by the end of today.

Regards

Angela

Angela Knight CBE
Chief Executive

British Bankers' Association (BBA)
"The voice of banking and financial services"

Pinners Hall
105-108 Old Broad Street
London EC2N 1EX

Tel: (
E-mail: angela.knight(<mailto:angela.knight
Website: www.bba.org.uk <http://www.bba.org.uk/>

BBA's Annual Banking Conference & Dinner - **10 June 2008**
To view the full programme, and register for the event visit www.bba.org.uk/annualbanking

The BBA is the leading UK banking and financial services trade association and acts on behalf of its members on domestic and international issues. Our 227 members are from 60 different countries and collectively provide the full range of banking and financial services. They operate some 130 million personal accounts, contribute £50bn to the economy, and together make up the world's largest international banking centre

LIBOR

Tucker, Paul

Sent: 03 June 2008 16:13

To: Angela Knight (angela.knight

Attachments: LIBOR Recommendations_052708.pdf (20 KB)

Angela

May like to see the attached from the NY Fed.

Paul

May 27, 2008

Recommendations for Enhancing the Credibility of LIBOR
FRBNY Markets and Research and Statistics Groups

1. Strengthen governance and establish a credible reporting procedure

To improve the integrity and transparency of the rate-setting process, we recommend the BBA work with LIBOR panel banks to establish and publish best practices for calculating and reporting rates, including procedures designed to prevent accidental or deliberate misreporting. The BBA could require that a reporting bank's internal and external auditors confirm adherence to these best practices and attest to the accuracy of banks' LIBOR rates.

To further enhance perceptions of the BBA as an objective intermediary in the rate-setting process, we recommend greater transparency with respect to the financial relationships between the BBA and the panel banks, and around the BBA's financial interests in LIBOR.

2. Increase the size and broaden the composition of the USD panel

The BBA should increase both the size and the proportion of US banks on the USD panel. Currently, the only US banks on the panel are Bank of America, Citibank, and JPMorgan, but there are several other US banks active in this market and potentially eligible for inclusion in the panel, including Wachovia, State Street, Northern Trust, and BoNY. Subject to maintaining the panel's credit quality, the inclusion of more active US banks would produce a fixing that is more representative of the London interbank market and less susceptible to the specific funding issues of institutions that do not have a broad USD funding base.

3. Add a second USD LIBOR fixing for the U.S. market

The BBA should consider adding a second USD fixing to capture rates for transactions that occur when the US market is active. LIBOR rates for all ten currencies are currently published at 11am GMT, and this common timing is important to many participants in the FX swaps and other financial markets. However, the fixings occur prior to the opening of the New York market, and prevailing rates can change considerably once US-based sources of dollar liquidity arrive. A second fixing, during the New York trading session, would provide an additional benchmark rate more indicative of conditions during those hours of market activity.

For this second fixing, we recommend polling all the banks that participate in the 11am GMT panel, as well as any additional banks necessary to get an accurate representation of the USD funding market during the New York session. The BBA might emphasize that the introduction of a second fixing is being undertaken in tandem with efforts to enhance the credibility of the first fixing, and thus the second is intended to complement rather than replace the first.

4. Specify transaction size

Banks currently quote the rate at which they could borrow in "reasonable market size." To eliminate some of the ambiguity that comes with this definition, we recommend that the BBA provide more specific guidance as to the size of the transaction being referenced in the reported quoted rates. In addition, to reflect the fact that actual transaction sizes can fluctuate markedly with changes in market conditions, the BBA should consider allowing the transaction size it specifies to adjust flexibly over time, with these adjustments occurring either at a regular frequency or in response to significant changes in market conditions.

5. Only report the LIBOR maturities for which there is a net benefit

We recommend that, in consultation with panel banks, the BBA adopt guidance on consistent methods for determining quotes across the range of maturities of LIBOR. In addition, we recommend that the BBA consider reducing the number of maturities for which it solicits quotes and publishes rates. For tenors such as the 3-month tenor, LIBOR quotes provide valuable information to the public because of the volume of activity occurring at that tenor, while quotes for tenors at which little or no trading occurs, such as the 11-month, are less indicative and therefore less valuable. The current practice of soliciting rate quotes across 15 tenors, when only a subset of those tenors reflect meaningful market activity, likely leads to more subjective and formulaic responses across all tenors. By asking banks to quote fewer rates, the BBA may solicit higher quality responses for those more informative tenors, with relatively little value lost by excluding less informative tenors.

6. Eliminate incentive to misreport

If the combination of best practices and audit recommendations in (1) above seems unlikely to be sufficiently effective in ensuring accurate reporting, a complimentary approach might be to adopt the following process for collecting, calculating, and publishing LIBOR rates. The BBA could collect quotes from all members of the expanded panel, and then randomly select a subset of 16 banks from which the trimmed mean would be calculated. The names and quotes for the 8 banks whose rates are averaged to calculate the LIBOR fixing would be published. The banks' whose reports fall above or below the midrange would not be publicly identified, nor would the level of their outlying rates. This random sampling from an expanded panel would lessen the likelihood that the market would draw a negative inference regarding a particular bank's continued absence from the list of published quotes.[1]

[1] One potential drawback of this process is that it may introduce, or be expected to introduce, additional volatility into the LIBOR fixings. However, simulations based on historical LIBOR quotes suggest that a process of this sort would not dramatically affect the volatility or level of the fixing. We find that rates computed using this random process differ from the actual LIBOR fixings by, on average, by less than 0.2 basis points in the 3-month tenor.

Re: Fw: LIBOR

William.Dudley@ [William.Dudley

Sent: 03 June 2008 16:56

To: Tucker, Paul; Meg.McConnell(

Cc: Brian.F.Madigan(; Hayley.Boesky( ); Tucker, Paul; Meg.McConnell@n

****
This email has reached the Bank via the Internet or an external network
****

Paul,

We also think there is a good case for a second afternoon fixing. That is something else we would like the BBA to consider more fully. So some delay would be warranted in our view.

Best,
Bill

PS I understand we are going to talk this evening--5 pm my time, 10 pm your time.

Meg McConnell/

06/03/2008 11:49 AM

To Paul.Tucker(
cc William Dudley/ , Brian F Madigan/ , Hayley Boesky/
Subject Fw: LIBOR

Paul
I spoke with and she indicated that the general view of the participants from the Fed (NY and the Board) in yesterday's call with the BBA agreed that their draft does not go far enough, and that we're not excited to be associated with it in its current form. The email below suggests that even with the revisions to the draft, our staff still views it as falling short of what we'd like to see. So, we'd support your suggesting to them that they hold off on releasing this until they come up with something more responsive to the current set of concerns--particuarly in the area of making process more auditable.

++++++++++++++++++++++++++++++++
Margaret M. McConnell
Deputy Chief of Staff for Policy, VP
Federal Reserve Bank of New York

RE: LIBOR

Angela Knight [angela.knight(

Sent: 03 June 2008 17:37

To: Tucker, Paul

****
This email has reached the Bank via the Internet or an external network
****

Paul,
Thankyou for the call.
Changes are being made to incorporate the views of the Fed. There is no show stopper as far as we can see.
Hayley and I will be speaking at some point over the next 12 hours or so.
Regarding your comments that the FSA should be out and other central banks in - all done.
Timing is complicated. If it leaks we will have to go, and if it does not then we will hold off until thursday.
Unfortunately this is in the hands of others. I have spoken to the CEOs and made people sign confidentiality agreements, but as you know there are a lot of vested interests
Regards
Angela

From: Tucker, Paul [mailto:Paul.Tucker(
Sent: 03 June 2008 16:20
To: Angela Knight
Subject: RE: LIBOR

angela

tim sent it to the Governor i will call you shortly to discuss

paul
-----Original Message-----
From: Tucker, Paul
Sent: Tuesday, June 03, 2008 4:14 PM
To: Angela Knight (angela.knight
Subject: LIBOR

Angela

...y like to see the attached from the NY Fed.

Paul

Fw: LIBOR

Angela Knight [angela.knight

Sent: 04 June 2008 07:27

To: Tucker, Paul

****
This email has reached the Bank via the Internet or an external network
****

Paul,
For info.
You will receive version 5 by 8am. That is as soon as one of my team gets in.
As I mentioned yesterday, we will hang onto this today if at all possible to enable one last time round the beat. Our Wholesale Committee (Brian Crowe rbs/abn chairs) is reviewing at 10.30 and I will also include Johnathon Taylor from LIBA at that point
. If we get a leak then we will publish but in a form which makes it quite clear that we are taking on the Fed and your points- I need them please.
I have to go to Tirane thurs evening, back late friday. It is ebf and I cannot send a substitute to this one. If we launch while I am there it will be fronted by Alex Merriman under the supervision of Sally Scutt
Speak to you later
Regards
Angela

Angela Knight
Chief Executive Officer
British Bankers' Association

This message has been sent from a BlackBerry Device

-----Original Message-----
From: Angela Knight <angela.knigh
To: 'Randall.S.Kroszner
CC: 'hayley.boesky
'brian.f.madigan
Sent: Wed Jun 04 07:10:33 2008
Subject: Re: LIBOR

...ly,
...nkyou for this. I am revising with our major members this morning. We will seek to take on board all your comments either as things we will do straight away (eg strengthen governance, explain the fix etc), actions that we will take quickly (eg seek to broaden the USD Panel) and questions we will consult on (a second USD fix, defining reasonable market size).
I will aim to have the revisions with you later this morning
My thanks again to you and your team
Regards
Angela

Angela Knight
Chief Executive Officer
British Bankers' Association

This message has been sent from a BlackBerry Device

-----Original Message-----
From: Randall.S.Kroszner

To: Angela Knight <angela.knight(
CC: hayley.boesk
brian.f.madigan
Sent: Tue Jun 03 22:49:33 2008
Subject: Re: LIBOR

Dear Angela,

Thank you once again for sharing these drafts with us. The staffs at the Board and particularly the NYFed have been working through your draft. As I think you know, we have also been discussing these issues with the Bank of England and plan to get more comments back to you tomorrow.
Please do not hesitate to call or email if you have any questions.

Best,
--Randy

"Angela Knight" <angela.knight@
Sent by: '

06/03/2008 09:39 AM

To
<randall.s.kroszner(, <hayley.boesky(

cc

Subject
LIBOR

Dear Governor

We have updated the paper since yesterday and so I am sending the latest version to you which is attached to this email. This is also the draft that is currently with the Bank of England (Paul Tucker whom I think you know) and the Financial Services Authority (Thomas Huertas).

Thank you for taking an interest in these matters and I hope that I have covered your concerns in saying that we will now consult both on a second and later Dollar LIBOR fix and on the transparency/stigmisation issue. Other clarifications are that we are strenghtening the governance immediately, that we have clarified the LIBOR definitions and that although we received no new application from any bank for any Panel, we will now open discussions with a selection of US and European banks for the purposes of seeking additional contributions particularly to the Dollar LIBOR panel.

All other alterations are a mixture of better grammer, better layout and better explanations - the usual drafting points.

With best wishes

Angela

Angela Knight CBE
Chief Executive

British Bankers' Association (BBA)
"The voice of banking and financial services"

Pinners Hall

Fw: LIBOR

Tucker, Paul

Sent: 04 June 2008 07:49

To:

Cc: Gieve, John; Lomax, Rachel; Rodgers, Peter; Wardlow, Andrew; Cross, Michael; Fisher, Paul;

Tba

We have gained a day. Fed taking same line as us

Provided we do get the latest draft this am, the Mkts team will review it as their first priority this am and advise accordingly

paul

----- Original Message -----
From: Angela Knight <angela.knight
To: Tucker, Paul
Sent: Wed Jun 04 07:27:42 2008
Subject: Fw: LIBOR

****
This email has reached the Bank via the Internet or an external network
****

Paul,
For info.
You will receive version 5 by 8am. That is as soon as one of my team gets in.
As I mentioned yesterday, we will hang onto this today if at all possible to enable one last time round the beat.
Our Wholesale Committee (Brian Crowe rbs/abn chairs) is reviewing at 10.30 and I will also include Johnathon Taylor from LIBA at that point
. If we get a leak then we will publish but in a form which makes it quite clear that we are taking on the Fed and your points- I need them please.
I have to go to Tirane thurs evening, back late friday. It is ebf and I cannot send a substitute to this one. If we launch while I am there it will be fronted by Alex Merriman under the supervision of Sally Scutt
peak to you later
egards
Angela

Angela Knight
Chief Executive Officer
British Bankers' Association

This message has been sent from a BlackBerry Device

-----Original Message-----
From: Angela Knight <angela.knight@
To: 'Randall.S.Kroszner <Randall.S.Kroszner@
CC: 'hayley.boesky@ hayley.boesky@
'brian.f.madigan@ <brian.f.madigan@
Sent: Wed Jun 04 07:10:33 2008
Subject: Re: LIBOR

Randy,
Thankyou for this. I am revising with our major members this morning. We will seek to take on board all your

comments either as things we will do straight away (eg strengthen governance, explain the fix etc), actions that we will take quickly (eg seek to broaden the USD Panel) and questions we will consult on (a second USD fix, defining reasonable market size).
I will aim to have the revisions with you later this morning
My thanks again to you and your team
Regards
Angela

Angela Knight
Chief Executive Officer
British Bankers' Association

This message has been sent from a BlackBerry Device

-----Original Message-----
From: Randall.S.Kroszner(<Randall.S.Kroszner
To: Angela Knight <angela.knight
CC: hayley.boesky <hayley.boesky
brian.f.madigan <brian.f.madigan
Sent: Tue Jun 03 22:49:33 2008
Subject: Re: LIBOR

Dear Angela,

Thank you once again for sharing these drafts with us. The staffs at the Board and particularly the NYFed have been working through your draft. As I think you know, we have also been discussing these issues with the Bank of England and plan to get more comments back to you tomorrow.
Please do not hesitate to call or email if you have any questions.

Best,
--Randy

"Angela Knight" <angela.knight
Sent by:

06/03/2008 09:39 AM

To
<randall.s.kroszner , <hayley.boesky

cc

Subject
LIBOR

Dear Governor

We have updated the paper since yesterday and so I am sending the latest version to you which is attached to this email. This is also the draft that is currently with the Bank of England (Paul Tucker whom I think you know) and the Financial Services Authority (Thomas Huertas).

Thank you for taking an interest in these matters and I hope that I have covered your concerns in saying that we will now consult both on a second and later Dollar LIBOR fix and on the transparency/stigmisation issue. Other clarifications are that we are strenghtening the governance immediately, that we have clarified the LIBOR definitions and that although we received no new application from any bank for any Panel, we will now open discussions with a selection of US and European banks for the purposes of seeking additional contributions particularly to the Dollar LIBOR panel.

All other alterations are a mixture of better grammer, better layout and better explanations - the usual drafting points.

With best wishes

Angela

Angela Knight CBE
Chief Executive

British Bankers' Association (BBA)
"The voice of banking and financial services"

Pinners Hall
105-108 Old Broad Street
London EC2N 1EX

Tel:
E-mail: <mailto:angela.knight@ > angela.knight
Website: <http://www.bba.org.uk/> www.bba.org.uk

BBA's Annual Banking Conference & Dinner - 10 June 2008
To view the full programme, and register for the event visit <http://www.bba.org.uk/annualbanking> www.bba.org.uk/annualbanking

CONFIDENTIAL: BBA LIBOR Paper

Alex Merriman [alex.merriman

Sent: 04 June 2008 08:30

To: Tucker, Paul

Cc: Angela Knight [angela.knigl]; John Ewan [john.ewan

Importance: High

Sensitivity: Confidential

Attachments: BBA01-#319064-v3-Construct~1.DOC (115 KB)

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This email has reached the Bank via the Internet or an external network
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Dear Paul,

As mentioned by Angela, we are working on the above and would welcome your and your colleagues' comments, as soon as you can muster them. We have already received comments from the FSA (which I gather they have shared with you) and the Fed (Board and NY).

Our intention is to publish as soon as we can, probably Thurs or Friday.

I don't need to tell you how sensitive all of of this is at this stage - but it is not the Bank that leaks!

Best wishes

Alex

Alexander J S Merriman
Executive Director, Wholesale & Regulation
British Bankers' Association

Tel No (office):
Tel No (mobile):
Tel No (Sec):
E-mail: alex.merriman

"The Voice of Banking and Financial Services"

RE: URGENT: CONFIDENTIAL: LIBOR Paper -- FSA comments

Sent: 04 June 2008 09:55

To: Cross, Michael; Tucker, Paul; Fisher, Paul

Will do.

-----Original Message-----
From: Cross, Michael
Sent: Wednesday, June 04, 2008 9:55 AM
Tucker, Paul; Fisher, Paul
Subject: RE: URGENT: CONFIDENTIAL: LIBOR Paper -- FSA comments

send me your comments on the revised BBA paper please and I'll do a note for the G. Can you/Paul get what they say about the TAF and fx basis double-checked please - it looks alright to me but someone else should go through it. Mike

-----Original Message-----
From:
Sent: 04 June 2008 09:16
To: Tucker, Paul; Cross, Michael; Fisher, Paul
Subject: FW: URGENT: CONFIDENTIAL: LIBOR Paper -- FSA comments
Importance: High

Here are the FSA's comments.

-----Original Message-----
From:
Sent: Wednesday, June 04, 2008 8:10 AM
To:
Subject: FW: URGENT: CONFIDENTIAL: LIBOR Paper
Importance: High

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This email has reached the Bank via the internet or an external network
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****
Your attention is drawn to the warning notice at the end of this message.

Here are our comments to the BBA. Grateful if you would keep to a select audience within the Bank. I'm happy to discuss this going forward if useful.

Rgds

Financial Services Authority
25 The North Colonnade, Canary Wharf, London E14 5HS

>P Please consider the environment before printing this e-mail

-----Original Message-----
From:
Sent: 03 June 2008 20:55
To: Angela Knight;
Cc: Thomas Huertas;
Subject: FW: URGENT: CONFIDENTIAL: LIBOR Paper
Importance: High

Dear Angela,

Thank you for sharing this draft with us. In the interests of facilitating a prompt response, Tom and have asked that I pass you comments directly. Please note that I also intend to share our thoughts with the Bank of England to keep them informed of our views - I understand you have shared a copy of the draft with Paul Tucker.

As we have expressed previously we are fully aware of the important role that Libor currently plays across a number of markets, and are therefore supportive of the BBA taking appropriate action to reinforce integrity and confidence in the Libor setting process. The changes to the document, as proposed, appear to be a significant step in addressing a number of the issues and options that were discussed with John Ewan and on 22 May. The proposals certainly provide for much greater education of what Libor is which will address one of the concerns we have raised previously.

However, we have a number of comments on the draft document which we believe would benefit from greater clarification before it is made public. I include a number of points/suggestions on detail made via track changes in the attached version. Whilst we believe these all merit BBA consideration there are four significant issues which are outlined below which we wish to highlight as important to consider/resolve, prior to publication:

1) Role of public authorities in terms of Libor governance - The document references BBA engagement with ourselves, the Bank of England and the FED in a number of places. However, in section 13 (specifically 13.1.8 and 13.2 and accompanying references in the Exec Summary) the draft implies that these authorities will have some form involvement in the governance of the Libor process. This is not an area we have discussed, or even considered whether it would be possible/feasible. We would therefore request that these references should preferably be removed until we have had further discussions over what form this regulatory engagement could take.

2) Inclusion of FX Forwards and CDs within the BBA Libor definition process - The draft paper, as it stands creates some confusion for us as to the eligible definition of products considered as part of the panel reviews. Following the recent BBA/FSA meeting on the 22nd May we were provided a copy of the letter sent to contributing banks outlining what data should be submitted to obtain membership of the LIBOR panels. I attach the copy provided. This is explicit that Certificates of Deposit (CDs) should be excluded and FX Swap legs could be included. However, the draft paper we received outlines the opposite. Para 12.6 specifically refines the definition to include CDs and 12.2 outlines that FX Swaps are not to be considered. The inclusion of CD and ECP as well as the exclusion of FX forwards were issues we raised on the 22nd. So we are generally supportive of a move to widen the 'funding' definition to include CDs and ECP but as this appears to be a substantial redefinition of the terms we consider that it should be outlined as such in the interests of clarity and transparency.

3) FX/MM Committee Composition - Whilst the Libor panels are transparent, the identity, powers and composition of the governance body do not appear to be so. This does not appear to be available on the BBA website either. Transparency over the governance function would also provide greater integrity and confidence in the Libor process and should therefore be considered.

4) Scrutiny of submissions - Section 13 outlines ways in which submissions will be scrutinised. We consider that this will be a clear area of focus for the media and wider market and therefore the greater detail that can provided here the better. We accept the comment in 5.3 that 'it is not surprising that some institutions will not access funds at the dollar LIBOR rate in the currently extremely risk adverse market conditions' but this should not apply to the panellists. The rates submitted must represent the levels the panellists actually can fund, and the market has to believe that this is being scrutinised effectively. Therefore the more clarity that can be provided, the more this will address current perceptions within the market that panellists are fixing away from where they can actually fund.

I hope this is helpful. If you would like to discuss any aspect of these comments, please let me know. I can be reached on the details below.

Regards

Financial Services Authority
25 The North Colonnade, Canary Wharf, London E14 5HS

>P Please consider the environment before printing this e-mail

-----Original Message-----
From:
To: Thomas Huertas
Sent: Tue Jun 03 12:22:01 2008
Subject: URGENT: CONFIDENTIAL: LIBOR Paper

Dear Tom

I attach the latest draft of our LIBOR paper ocmplete with recommendations. We are proposing to publish after the BBA Wholesale Committee which sits tomorrow morning, 4 June. I would be grateful for any comments that you may have, if possible by the end of today.

Regards

Angela

Angela Knight CBE
Chief Executive

British Bankers' Association (BBA)
"The voice of banking and financial services"

Pinners Hall
105-108 Old Broad Street
London EC2N 1EX

Tel:
E-mail: angela.knight <mailto:angela.knight
Website: www.bba.org.uk <http://www.bba.org.uk/>

RE: LIBOR

] on behalf of Angela Knight

[angela.knight(

Sent: 04 June 2008 14:54

To: Randall.S.Kroszner(; Tucker, Paul

Cc: hayley.boesky( ]; brian.f.madigan(

Attachments: BBA01-#319064-v5-Construct~1.DOC (139 KB)

****

This email has reached the Bank via the Internet or an external network

****

Dear All

I attach the final draft of the paper as agreed with the BBA Wholesale Committee and FX & MM Committee. I hope I have included all your comments and would be grateful for your further thoughts and views. I can be contacted at any time and my mobile number is

Regards

Angela

Angela Knight CBE
Chief Executive

British Bankers' Association (BBA)
"The voice of banking and financial services"

Pinners Hall
105-108 Old Broad Street
London EC2N 1EX

Tel:
E-mail: angela.knight
Website: www.bba.org.uk

RE: LIBOR

Sent: 04 June 2008 15:39

To: Cross, Michael; Tucker, Paul; Fisher, Paul

I think its still pretty key to directly get boesky/dudley's views about the paper, as this should form part of the submission/steer to mak this evening.

I'll call.

-----Original Message-----
From: Cross, Michael
Sent: Wednesday, June 04, 2008 3:29 PM
To: Tucker, Paul; Fisher, Paul
Subject: RE: LIBOR

OK. Am trying to get one of Bill Dudley or Hayley Boesky urgently to speak to me, they are in a seminar apparently (interesting in itself). But on the basis of this, in the interests of speed, and unless hollers in the next 10 minutes, I will call GPS and say the Fed is broadly OK and seek guidance on the (watered down since this morning) reference to central bank engagement with the FX & MM Committee.

Mike

-----Original Message-----
From:
Sent: 04 June 2008 15:10
To: Tucker, Paul; Cross, Michael; Fisher, Paul
Subject: FW: LIBOR
Importance: High

This just came through and Angela Knight called the office. She said you should be aware that the Fed are in broad agreement with this latest draft.

-----Original Message-----
From:] **On Behalf Of** Angela Knight
Sent: Wednesday, June 04. 2008 2:55 PM
To: Randall.S.Kroszner ; Tucker, Paul
Cc: hayley.boesky ; brian.f.madigan
Subject: RE: LIBOR

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Dear All

I attach the final draft of the paper as agreed with the BBA Wholesale Committee and FX & MM Committee. I hope I have included all your comments and would be grateful for your further thoughts and views. I can be contacted at any time and my mobile number is

Regards

Angela

Angela Knight CBE
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Website: www.bba.org.uk

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The BBA is the leading UK banking and financial services trade association and acts on behalf of its members on domestic and international issues. Our 227 members are from 60 different countries and collectively provide the full range of banking and financial services. They operate some 130 million personal accounts, contribute £50bn to the economy, and together make up the world's largest international banking centre

RE: LIBOR

Cross, Michael

Sent: 04 June 2008 15:50

To:

OK. have just spoke to Bill Dudley. I think we're alright. Will now speak to

-----Original Message-----
From:
Sent: 04 June 2008 15:46
To: Cross, Michael
Subject: RE: LIBOR

mike - tried calling but if you want to call me back pls do on
cheers

-----Original Message-----
From: Cross, Michael
Sent: Wednesday, June 04, 2008 3:29 PM
To: ; Tucker, Paul; Fisher, Paul
Subject: RE: LIBOR

OK. Am trying to get one of Bill Dudley or Hayley Boesky urgently to speak to me, they are in a seminar apparently (interesting in itself). But on the basis of this, in the interests of speed, and unless hollers in the next 10 minutes, I will call GPS and say the Fed is broadly OK and seek guidance on the (watered down since this morning) reference to central bank engagement with the FX & MM Committee.

Mike

-----Original Message-----
From:
Sent: 04 June 2008 15:10
To: Tucker, Paul; Cross, Michael; Fisher, Paul
Subject: FW: LIBOR
Importance: High

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-----Original Message-----
From:] **On Behalf Of** Angela Knight
Sent: Wednesday, June 04. 2008 2:55 PM
To: Randall.S.Kroszner ; Tucker, Paul
Cc: hayley.boesky ; brian.f.madigan
Subject: RE: LIBOR

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Dear All

I attach the final draft of the paper as agreed with the BBA Wholesale Committee and FX & MM Committee. I hope I have included all your comments and would be grateful for your further thoughts and views. I can be contacted at any time and my mobile number is

Regards

Angela

Angela Knight CBE
Chief Executive

British Bankers' Association (BBA)
"The voice of banking and financial services"

Pinners Hall
105-108 Old Broad Street
London EC2N 1EX

Tel: [illegible]
E-mail: angela.knight...
Website: www.bba.org.uk

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[illegible]

Comments on the Libor paper

Cross, Michael

Sent: 04 June 2008 16:50

To: Alex Merriman (alex.merriman

Cc: Tucker, Paul; Fisher, Paul;

Attachments: MKTS_DOCS_259889_1.DOC (159 KB)

Hi Alex

We spoke about this on the phone. I attach working level comments from our team in Markets, tracked into the draft you sent over this morning. As you will see, they are overwhelmingly of a technical or presentational nature, and as far as I can see not overtaken by version 8 just received (and rapidly perused).

We discussed section 13 on the phone. As I said, we are not yet signed off on the references to the Bank, so we'll need to come back to you in the morning.

Best regards,

Mike

BANK CONFIDENTIAL 4.06.08

THE GOVERNOR'S PRIVATE SECRETARY

Copies to P/S Ms Lomax
P/S Sir John Gieve
Mr Tucker
Mr Fisher
Mr Rodgers
Mr Wardlow

From Michael Cross

BBA LIBOR: BBA CONSULTATION DOCUMENT

1 We discussed by phone this afternoon.

2 Further to the Governor's meeting yesterday, and PMWT's subsequent discussion with Angela Knight, we received a revised draft from the BBA seeking the Bank's comments prior to publication, which the BBA hopes will be tomorrow or Friday at the latest.

3 The BBA is concerned that the draft will leak, and so force their hand in publishing sooner rather than later. Having agreed with PMWT, and as we discussed earlier, I have this afternoon sent the BBA some working level comments, which I have stressed are those of the Markets Area team only (attached as 259,889). These are technical and/or presentational in nature. I have made it clear to the BBA that the Bank has not signed off on the direct and indirect references to the Bank, and that we shall therefore need to revert tomorrow, particularly on section 13 (the governance section). It is on this section that we seek the Governor's guidance.

4 The latest draft (attached as 260,022) incorporates most of the points that we and the New York Fed have previously made about widening the range of issues on which the BBA is consulting. I spoke to Bill Dudley of the Fed this afternoon. They are broadly content with the draft in that it addresses the specific points made in President Geithner's memo. They share reservations that we have on section 13.

5 There are two issues with section 13, in which the BBA seeks to address the governance of the LIBOR process and the policing of LIBOR-setting. The first is that in this section of the paper the BBA say what they are going to do on governance, but they do not offer to consult. The second is that in saying what they are going to do, they refer directly or indirectly to engagement with and/or a role

for the Bank and the Federal Reserve (13.2 and 13.5). Related to this section, there are other references to the Bank in the first and second bullets of the Executive Summary, and at Paragraph 4.1.

6 On governance, what the BBA say they will do seems broadly incrementally sensible as far as it goes, although we have concerns that they may not go far enough. For that substantive reason, and for presentational reasons (and perceptions are important here), we (and the New York Fed) think the BBA might do better to re-work the draft so that it: (1) sets out what they are aiming to achieve in terms of oversight and policing of the process; (2) describes how they are minded to do that; (3) invites comments on (1) and (2). The BBA however think that the credibility of the process is better-served by them setting out a definitive position, and they seem to us (and the Fed) to be dug in on this.

7 Particularly given this, we might want to have direct and indirect references to the Bank (and the Fed) removed. As noted above, these are in the first and second bullets of the Executive Summary, at paragraph 4.1, and paragraphs 13.2 and 13.5. There is a risk that references to us by name and to central banks generally are taken as implying endorsement of the particular approach that the BBA sets out. The paper could instead refer to engagement with "all interested parties". Alternatively, and ~~particularly should the BBA decide to consult on the governance issues, the paper could note that the~~ BBA's consultation plans include invitations to central banks to comment.

8 We would be grateful for the Governor's views on these points.

Sterling Markets Division
4 June 2008

Michael Cross

RE: BBA Libor

Sent: 04 June 2008 20:10
To: Cross, Michael; Governors - GPS; DGM Office; DGFS Office; Tucker, Paul; Markets - ED Office; Fisher, Paul; Rodgers, Peter; Wardlow, Andrew;
Cc:

Mike,

the Governor thought your note was very helpful and agreed with the approach you were suggesting. What does that mean?

- re para 6. we should push them to consult on governance. as you suggest.

- re para 7 he agrees the BoE references should be removed, and replaced with "all interested parties". We can talk to BBA about their ideas through time, but should not be bounced in this document.

thanks

-----Original Message-----
From: Cross, Michael
Sent: Wednesday, June 04, 2008 6:53 PM
To: Governors - GPS; ; DGM Office; DGFS Office; Tucker, Paul; Markets - ED Office; Fisher, Paul; Rodgers, Peter; Wardlow, Andrew;
Cc:
Subject: BBA Libor

Attached note from me as discussed follows up on calls between PMWT, you, me, the NYFed and the BBA this afternoon/evening (259943).

259,889 are the Markets Area working level comments.

'60,022 is the latest draft (#8) of the BBA paper.

Mike

Fw: LIBOR

Tucker, Paul

Sent: 04 June 2008 23:15

To: Cross, Michael

Cc:

Attachments: BBA01-#319064-v5-Construct~1.DOC (139 KB)

----- Original Message -----
From: Randall.S.Kroszner(<Randall.S.Kroszner(
To: Angela Knight <angela.knight(
Cc: brian.f.madigan ; Tucker, Paul
<hayley.boesky@
Sent: Wed Jun 04 22:41:32 2008
Subject: RE: LIBOR

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This email has reached the Bank via the Internet or an external network
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Angela,
Thanks again. As you know, we are working with the Bank of England to deliver some further comments.
Best,
--Randy

"Angela Knight" <angela.knight(
Sent by:

06/04/2008 09:55 AM
To
<Randall.S.Kroszner(, <paul.tucker(
<hayley.boesky(, <brian.f.madigan(
Subject
RE: LIBOR

Dear All

I attach the final draft of the paper as agreed with the BBA Wholesale Committee and FX & MM Committee. I hope I have included all your comments and would be grateful for your further thoughts and views. I can be contacted at any time and my mobile number is

Regards

Angela

Libor

Angela Knight [angela.knight@

Sent: 04 June 2008 23:18

To: Tucker, Paul

Cc: Alex Merriman [alex.merriman

****
This email has reached the Bank via the Internet or an external network
****

Paul,
I realise that you will still be locked up with the mpc. However, I thought it might be appropriate to update.
The draft sent back to the Fed post my discussion with Fed today was sent to you as well. Subsequently we have received some detailed comments from the Bank. The clarifications in the technical areas are very useful and are being incorporated.
As to the prose, some we have used, some are no longer relevant as drafting has moved on, and some we will stay with our original phraseology.
Turning to the points of substance, practionners consider it a high risk move to say we will consult on the 12month fix. It will therefore be clarified in the text.
Your proposal that we reduce what is said in sectiion 13 on governance I am afraid is not possible. In fact to get a way forward is going to require a stong governance for libor and the pressure is to do more not less.
I am also assuming that central banks will want to be associated with this in some form and look forward to the phraseology you want us to use.
We have received commentary from the fsa and have incorporated as appropriate and clarified where there were misunderstandings.
The paper is now on its last round. Obviously we are not seeking textural and grammatical comments.
Also I would suggest that any points of substance would benefit from discussion.
Look forward to hearing from you.
Regards
Angela

Angela Knight
Chief Executive Officer
British Bankers' Association

This message has been sent from a BlackBerry Device

Re: Libor

Cross, Michael

Sent: 05 June 2008 08:28

To: Tucker, Paul

Yes I cleared the line on governance and references to central banks with Bill Dudley. They had the same thoughts, were looking for us to take a lead with bba.

----- Original Message -----
From: Tucker, Paul
To: Cross, Michael
Sent: Thu Jun 05 08:24:13 2008
Subject: Re: Libor

Did you get through to the fed in the end, I gather they were tied up

----- Original Message -----
From: Cross, Michael
To: Tucker, Paul; Fisher, Paul
Cc:
Sent: Thu Jun 05 08:23:10 2008
Subject: Re: Libor

That they should say what principles they are aiming at re oversight committee and policing mechanisms, how they are minded to move towards that, but ask for comments. Main point on oversight is to be credible it should be senior and representative of stakeholders beyond the BBA panel banks.

I'll deal with Alex M this morning, incl in writing.

Mike

----- Original Message -----
From: Tucker, Paul
To: Cross, Michael; Fisher, Paul
Cc:
Sent: Thu Jun 05 08:16:14 2008
Subject: Re: Libor

You pl

Can you remind me what the governance point is pl? I cldnt understand why ak was saying / implying that we wanted to dilute it. (Sorry)

----- Original Message -----
From: Cross, Michael
To: Tucker, Paul; Fisher, Paul
Cc:
Sent: Thu Jun 05 08:10:23 2008
Subject: Re: Libor

Re the Governor's requests, shall I pass that on to Merriman? (Phone and writing.) Or have you or will you to A Knight? On governance consultation, they look dug in. But they will obviously have to remove the references to us and Fed.

----- Original Message -----
From: Tucker, Paul
To: Cross, Michael; Fisher, Paul
Cc: [redacted]
Sent: Thu Jun 05 07:02:39 2008
Subject: Fw: Libor

Tba

Not sure I understand the point about governance

Paul

----- Original Message -----
From: Angela Knight <angela.knight
To: Tucker, Paul
Cc: Alex Merriman <alex.merriman
Sent: Wed Jun 04 23:18:54 2008
Subject: Libor

****
This email has reached the Bank via the Internet or an external network
****

Paul,
I realise that you will still be locked up with the mpc. However, I thought it might be appropriate to update. The draft sent back to the Fed post my discussion with Fed today was sent to you as well. Subsequently we have received some detailed comments from the Bank. The clarifications in the technical areas are very useful and are being incorporated. As to the prose, some we have used, some are no longer relevant as drafting has moved on, and some we will stay with our original phraseology.
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The paper is now on its last round. Obviously we are not seeking textural and grammatical comments.
Also I would suggest that any points of substance would benefit from discussion.
Look forward to hearing from you.
Regards
Angela

Angela Knight
Chief Executive Officer
British Bankers' Association

This message has been sent from a BlackBerry Device

Libor

Cross, Michael

Sent: 05 June 2008 11:39

To: Bill Dudley (William.Dudley

Cc: Tucker, Paul; Fisher, Paul;

Bill

Further to our call yesterday and after consulting senior colleagues here, I've sent comment to BBA today (1) urging them to consult on governance and policing and (2) asking them to remove direct and indirect references to the Bank of England from the paper.

Regards,

Mike

RE: Libor

Cross, Michael

Sent: 05 June 2008 17:09

To: Alex Merriman [alex.merriman(

Cc: John Ewan [john.ewa.]; Angela Knight [angela.knight Tucker, Paul; Fisher, Paul

Alex

Many thanks.

On governance, it is possible that we are slightly at cross-purposes. Like you, we favour strong and credible governance and the tools to bring that about. Our point is that stronger governance would be better-served in substance and perception if you set out what principles you are looking to achieve, and then say how you propose to achieve that in terms of steps you might take, but be open to consultation on both the principles and the specific steps. I think that's largely a question of re-working what you already have, and inviting comments, rather than watering it down.

On the Bank's name, we have a clear line that it should not be used. I understand that the FSA and the Federal Reserve have the same position. Neither can we accept "relevant central banks...etc". That will obviously be taken as implying our endorsement of the proposals you make. Hence our suggestion that you refer to "all interested parties", as we and I am sure the far wider community with an interest in Libor would of course be happy to discuss your ideas on the basis of this paper.

Mike

-----Original Message-----
From: Alex Merriman
Sent: Thursday, June 05, 2008 4:43 PM
To: Cross, Michael
Cc: John Ewan; Angela Knight
Subject: FW: Libor

****
This email has reached the Bank via the Internet or an external network
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Dear Michael,

Thanks for the e-mail. Here is what Angela replied to Paul last night.

As you can see , it is very important to have something of substance to say in Section 13. We need to demonstrate that we are doing something "strong" on governance. Our FXMM Committee are in agreement with this, and it is them, as the affected institutions, that are the potential victims in all this. The Fed have suggested to us that governance needs to be even stronger, so we find ourselves somewhere in the middle, as you appear to want less.

On the mention of the Bank's name, obviously we would welcome being able to quote it, not least because we believe that LIBOR is one of the pillars of the financial system, and central banks worldwide and the financial system as a whole have an interest in maintaining its relevance and accuracy. We cannot accept "interested parties" as this is just too weak, but believe that "relevant central banks and other interested parties", might well do the trick.

Alex

-----Original Message-----
From: Angela Knight
Sent: 04 June 2008 23:19
To: 'paul.tucker
Cc: Alex Merriman
Subject: Libor

Paul,
I realise that you will still be locked up with the mpc. However, I thought it might be appropriate to update. The draft sent back to the Fed post my discussion with Fed today was sent to you as well. Subsequently we have received some detailed comments from the Bank. The clarifications in the technical areas are very useful and are being incorporated. As to the prose, some we have used, some are no longer relevant as drafting has moved on, and some we will stay with our original phraseology. Turning to the points of substance, practionners consider it a high risk move to say we will consult on the 12month fix. It will therefore be clarified in the text. Your proposal that we reduce what is said in section 13 on governance I am afraid is not possible. In fact to get a way forward is going to require a stong governance for libor and the pressure is to do more not less. I am also assuming that central banks will want to be associated with this in some form and look forward to the phraseology you want us to use. We have received commentary from the fsa and have incorporated as appropriate and clarified where there were misunderstandings. The paper is now on its last round. Obviously we are not seeking textural and grammatical comments. Also I would suggest that any points of substance would benefit from discussion. Look forward to hearing from you. Regards Angela

Angela Knight
Chief Executive Officer
British Bankers' Association

RE: BBA Libor

Cross, Michael

Sent: 06 June 2008 13:59

To: Governors - GPS; DGM Office; DGFS Office; Tucker, Paul; Markets - ED Office; Fisher, Paul; Rodgers, Peter; Wardlow, Andrew;

Cc:

Importance: High

Attachments: BBA01-#319613-v1-Re-workin~1.DOC (55 KB)

It's been hard pounding, but here's where we've now go the BBA on s.13 of their paper. FSA and NY Fed have been in line with us.

On governance, they have now set it out in terms of principles (which look alright), a set of measures (ditto) and an invitation to comment. So I think that's OK.

On references to the Bank (proper noun) these have been removed in s.13, and I will get an assurance that they have been removed from the Exec Summary etc. There are two outstanding points where I'd be grateful for a steer please.

In para 13.4 there is a sentence "The Committee will ensure ongoing relationships with relevant central banks, and other interested groups and organisations". I think that's borderline for us. It might be better if they say instead "The Committee will ensure ongoing relationships with all stakeholders with an interest in BBA LIBOR."

- What do you think? The point is that BBA is close to desperate for even a small hook to imply that there will be a dialogue with central banks - so there's a bit of judgment to be made here on wider diplomacy and the relationship with the BBA.

In para 13.6 there is a sentence "This will be done in conjunction with interested parties in the public and private sectors". I'd suggest they might be better to say "The BBA will seek the views of all interested parties in the private and public sectors."

Mike

-----Original Message-----

From:

Sent: Wednesday, June 04, 2008 8:11 PM

To: Cross, Michael; Governors - GPS; DGM Office; DGFS Office; Tucker, Paul; Markets - ED Office; Fisher, Paul; Rodgers, Peter; Wardlow, Andrew;

Cc:

Subject: RE: BBA Libor

Mike,

the Governor thought your note was very helpful and agreed with the approach you were suggesting. What does that mean?

- re para 6, we should push them to consult on governance, as you suggest.

- re para 7 he agrees the BoE references should be removed, and replaced with "all interested parties". We can talk to BBA about their ideas through time, but should not be bounced in this document.

thanks

-----Original Message-----
From: Cross, Michael
Sent: Wednesday, June 04, 2008 6:53 PM
To: Governors - GPS; DGM Office; DGFS Office; Tucker, Paul; Markets - ED Office; Fisher, Paul; Rodgers, Peter; Wardlow, Andrew;
Cc:
Subject: BBA Libor

Attached note from me as discussed follows up on calls between PMWT, you, me, the NYFed and the BBA this afternoon/evening (259943).

259,889 are the Markets Area working level comments.

260,022 is the latest draft (#8) of the BBA paper.

Mike

FW: Revised S13 of the LIBOR Paper

Cross, Michael

Sent: 06 June 2008 17:09

To: Tucker, Paul; Fisher, Paul

Sensitivity: Confidential

thanks for guidance. Here's what I've gone back with. Mike

-----Original Message-----
From: Cross, Michael
Sent: Friday, June 06, 2008 5:02 PM
To: Alex Merriman
Cc: John Ewan;
Subject: RE: Revised S13 of the LIBOR Paper
Sensitivity: Confidential

Alex

Thank you for this. The general shape is now close to what I had in mind in terms of setting out principles, proposals for achieving those principles, and seeking comments from all interested stakeholders.

Thank you also for removing the references to the Bank of England. I have two further requests on this section, to make the point that central banks are open to dialogue rather than committed to participation in a process.

Para 13.4 - could the penultimate sentence please be amended to say: "The Committee will ensure ongoing dialogue with relevant central banks, and other interested groups and organisations."

Para 13.6 - could the penultimate sentence please be amended to say: "The BBA will seek the views of all interested parties in the private and public sectors."

Like I look forward to seeing a full revised draft of the full document at a later stage.

Regards

Mike

-----Original Message-----
From:
Sent: Friday, June 06, 2008 4:01 PM
To: Alex Merriman; Cross, Michael
Cc: John Ewan;
Subject: RE: Revised S13 of the LIBOR Paper
Sensitivity: Confidential

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This email has reached the Bank via the Internet or an external network
****

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Your attention is drawn to the warning notice at the end of this message.

Alex

Thank you for sharing this with us. I have only a couple of short points:

1) Scrutiny mechanism - I remain of the view that greater clarity over the scrutiny mechanism will be greatly beneficial for market confidence in Libor. For example, the original draft had a point around submitted rates being compared to actual transactions. This has now been removed. If possible to include, more detail around the exact steps the Committee will take to ensure the integrity of Libor will, I believe, have a significant impact.

2) Committee Composition - The new sections on the review of Committee and Panel members are a positive step in my view. However, it is still not clear how big the Committee is or what length of terms the members stand. As with Point 1, the more detail that can be provided whilst not revealing the identity of committee members will be extremely beneficial. The market will want to see that members are appointed or elected through an open and fair process which gives representation to a suitable variety of stakeholders.

I hope these comments are useful and remain available to discuss any aspect. I look forward to seeing a full draft of the document at a later stage.

Regards

Capital Markets Sector Team
Financial Services Authority
25 The North Colonnade, Canary Wharf, London E14 5HS

-----Original Message-----
From: Alex Merriman [mailto:alex.merrimar
Sent: 06 June 2008 12:22
To: michael.cross(
Cc: John Ewan
Subject: Revised S13 of the LIBOR Paper
Importance: High
Sensitivity: Confidential

Dear Michael and

Thank you for your comments so far.

As mentioned to Michael this morning, we have been thinking about how to address some of your commentsconcerns on the strengthening governance aspects, and the attached is a first stab at how we might do this.

Let me know, please, if you have any further points.

Best

Alex

Alexander J S Merriman
Executive Director, Wholesale & Regulation
British Bankers' Association

BANK CONFIDENTIAL 26.06.08

THE GOVERNOR'S PRIVATE SECRETARY

VIA MR TUCKER

From Michael Cross

Copies to PS/Ms Lomax
PS/Sir John Gieve
Mr Fisher
Mr Rodgers
Mr Wardlow

BBA REVIEW OF LIBOR

1 You asked for a note that set out a proposed strategy to maximise the probability that the BBA's review of LIBOR results in a satisfactory outcome. The BBA's review arises from two sources of questioning of the status quo: (a) some essentially technical issues around the nature of the fixing process; (b) the transformation of LIBOR from a measure of London money market conditions in different currencies to being the basis of pricing of a global derivatives market, and so a key part of the global financial infrastructure, and therefore requiring governance arrangements to catch up.

What is a satisfactory outcome?

2 We think a satisfactory outcome of the review from the Bank's perspective is improved confidence in LIBOR, and for this to be achieved in a way that leaves open the room for future innovation and development of other reference rates (for example OIS-based contracts) if that is what the market wants. In engaging further with the BBA, we need to continue to be careful to ensure that the Bank does not lend, and cannot be represented as lending, its imprimatur to LIBOR; particularly as that could be detrimental to the development of alternative rates.

3 On process, the BBA should be encouraged to undertake a genuine consultation, proactively seeking out the views of stakeholders beyond its own membership to a wider range of banks and other market participants (e.g. asset managers, including hedge funds), as well as the authorities. It should be encouraged to publish the results of its consultation, either separately as a prelude to or as part of a follow-up paper that sets out the changes that it will make.

4 Our view is that the most important thing for the BBA to achieve in its review is to strengthen its governance process around LIBOR. Concerns in this area are at the root of the various technical

questions around LIBOR setting, and form a major underpinning of reservations of LIBOR as the basis of the global derivatives market.

5 Specifically, the BBA could overhaul its existing governance machinery – the Foreign Exchange and Money Markets Committee – so that: (i) the existing BBA panel banks were represented at a higher level (for example, bank treasurer rather than head of treasury trading); and (ii) representatives of the wider group of LIBOR stakeholders were also included (banks, asset managers, hedge funds, etc). For the dollar LIBOR fixing in particular, wider participation by US banks is the BBA's best chance of ensuring that it retains the initiative rather than seeing it pass to New York. An enhanced governance machine, at a senior enough level to carry credibility in terms of the LIBOR process and the process of LIBOR submissions in individual banks, would be the BBA's best response to the range of issues that prompted the review.

6 We do not think that central banks should be formally involved in the LIBOR panels and processes, but we do think we should maintain a watching brief. We know that the Federal Reserve and the Swiss National Bank wish, like us, to engage with the BBA on its review.

7 There are other, essentially technical, areas of the review where we think the Bank should not take a strong view, beyond encouraging the BBA to consider feedback it receives carefully.

The Bank's strategy

8 We have three main avenues: direct engagement with the BBA; engagement with market participants, and particularly the big UK banks that it will be important to carry in terms of our objectives on LIBOR governance; and engagements with other authorities.

9 In terms of the engagement with the BBA directly, they will be keen to meet and take our views. There are regular meetings at ED/Markets / BBA Chief Executive level, which would seem the way to have an initial exchange of views at senior level. PMWT and MC can also arrange to meet with the chairman of the BBA's FX & MM Committee, under the guise of a general catch-up meeting, to discuss our views. That could be followed up with working level meetings and exchange of comments at working (Markets HoD/BBA Director) level.

10 PMWT and MC are due to hold a meeting with the senior treasurers of the big 6 banks in the next couple of weeks, which will be an opportunity to discuss these issues. These are the sort of people we think should be on the BBA's LIBOR governance committee. We can also take the opportunity

provided by a catch-up meeting with ICAP (which has just launched its own one and three month dollar unsecured funding survey products) to discuss issues from their perspective.

11 MC and the SMD management team can also take the opportunities presented by routine contact with a broad range of UK market participants to sample opinion on the BBA's consultation paper, and to encourage responses. In addition to the banks and building societies that are SMF participants, this exercise could embrace the 'buy-side' including institutional asset managers in London and Scotland, hedge funds, etc.

12 In addition, and continuing the relationship that developed when the BBA's paper was in gestation, MC could speak to and coordinate with the Federal Reserve, the Swiss National Bank and the FSA.

13 On the basis of these consultations with the BBA itself and the wider stakeholders, we will be able to judge what specific further steps the Bank should take to achieve a satisfactory outcome.

14 Is the Governor content with the proposed strategy set out above please?

Markets
Sterling Markets Division HO-1
26 June 2008

Michael Cross

Transcript of Governor's written comments on note of 26.06.08 from Michael Cross entitled BBA Review of LIBOR

Mr Tucker/Mr Cross,

I am broadly content with the approach described here. But I would like Mr Tucker to meet with Angela Knight to impress on her the need for greater energy in BBA's response and to make clear that we would not stand in the way of alternative market initiatives to provide alternatives to LIBOR. Please let me know how that discussion goes.

02/07/08

BANK CONFIDENTIAL 26.06.08

THE GOVERNOR'S PRIVATE SECRETARY

VIA MR TUCKER

Copies to PS/Ms Lomax
PS/Sir John Gieve
Mr Fisher
Mr Rodgers
Mr Wardlow

From Michael Cross

Mr. Tucker / Mr. Cross

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MK 2/7

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questions around LIBOR setting, and form a major underpinning of reservations of LIBOR as the basis of the global derivatives market.

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13 On the basis of these consultations with the BBA itself and the wider stakeholders, we will be able to judge what specific further steps the Bank should take to achieve a satisfactory outcome.

14 Is the Governor content with the proposed strategy set out above please?

Markets
Sterling Markets Division HO-1
26 June 2008

Michael Cross

From:
Sent: 25 July 2008 16:52
To: Jenkinson, Nigel; Tucker, Paul; Dale, Spencer; Proudman, James; Cross, Michael; FS-HODS; Brierley, Peter;
Cc: FS-EDOFFICE; DGFS Office; DGM Office
Subject: John Gieve meeting with Angela Knight, BBA CEO - 23 July 2008

John Gieve met with Angela Knight for a scheduled bilateral on 23 July, and was accompanied by Nigel Jenkinson and

Current conditions in the banking sector

Angela thought that "the housing market had stopped". There were now only around 6 banks doing any mortgage business, and there was little or no activity occurring in the housing market which meant it was difficult to value banks' mortgage collateral. Although repossessions data hadn't increased significantly, she warned not to under-estimate people walking away from their homes.

Angela thought that the takeover of A&L by Santander was good outcome, and thought that B&B did not appear to have a medium-term future as a standalone bank. Some of the larger UK banks with overseas operations were seen more favourably (e.g. HSBC, Standard Chartered and Barclays)

Banking Bill Reform

Angela noted that the BBA would work carefully through the latest Condoc over August.

She said that her preference was to have an uncodified approach to bank resolution which provided flexibility, but acknowledged that wasn't an option in the current environment. (She noted that the EC would look to replicate any codified approach developed in the UK). She also thought that the authorities needed to be clear who the SRR would relate to, questioning whether Barclays (for example) would be too large for the regime.

On triggering the SRR, she noted that the BBA would prefer the trigger to be early while there was still value in the bank to be recovered, while she thought the ABI would prefer the trigger to occur later. On deposit insurance, she doubted the practicality of risk-based pricing, but acknowledged that it was difficult to oppose an element of pre-funding.

John noted the importance of removing clauses that were appearing in financial contracts that allowed a get-out to counterparties if the institution was placed under heightened regulatory supervision.

Libor Review

Angela noted that the BBA would be producing their feedback document next week, sharing it with central banks first. Libor would stay the same with no second fixing in the US, but there was a suggestion of introducing a new European $ benchmark. Libor contributions would become auditable. Governance would be broadened to include non-users and buy-side, with a role for central banks depending on their preference for engagement.

Money market Review

John noted that the Bank would come out in the Autumn with its thoughts on money market reform post SLS.

From: Cross, Michael
Sent: 30 July 2008 09:56
To: Governors - GPS: DGM Office: DGFS Office: Scott, Jenny; Wardlow, Andrew; Fisher, Paul;
Cc: Tucker, Paul; Markets - ED Office;
Subject: RE: LIBOR Review
Attachments: BBA01-#322279-v7-Draft_Libor_Review_Consultation_Feedback_Statement.DOC

PMWT and I met Angela Knight and John Ewan on Monday to discuss the BBA's draft feedback statement, which we received last night (attached).

It is very largely as previewed in my e-mail of 16 July below, and in substance I think it is satisfactory. On that basis, I suggest that it is not necessary to give the BBA extensive comments. If addressees are content with the thrust of the BBA's response as described below, and subject to two particular points (underlined below) on which it would be helpful to receive guidance from the Governor, I propose to revert to the BBA to that effect by the deadline they set of close tomorrow.

The draft confirms that the BBA intends to overhaul the governance arrangements around Libor, that it has engaged Clifford Chance to advise and to help it work up the details, which will be released in due course. The overhaul meets the points we (and the Federal Reserve and others) have made concerning the credibility of the committee that oversees LIBOR and polices the regime. The changes will include expanding the committee that oversees LIBOR to include rates users (derivatives exchanges, asset managers and corporates will be represented) as well as banks. The committee will create a new, published framework that will set out the principles and procedures under which the BBA will operate LIBOR. A sub-committee will be created that will issue reinforced instructions to contributing LIBOR panel banks, and scrutinise and police contributor bank submissions. The BBA will actively seek to increase the size of its contributing bank panels.

The BBA's draft notes that it has "extended an invitation to relevant public bodies and central banks to observe their processes". Precisely what that might amount to in practice is something they will wish to discuss with us further. For our part, we have indicated that it is unlikely that the Bank will wish to have formal observer status but that we would wish to be kept informed of developments, most likely as part of the continuing regular but informal dialogue with the BBA. The BBA is not pressing for more than that. <u>If the Governor is content for the Bank to follow that general approach, we can take forward the precise modalities with the BBA, liaising where helpful with other interested central banks.</u> The Federal Reserve is in the same position as us. The Swiss National Bank and the Bank of Japan would be prepared to be formal observers on the BBA's committee, but from informal conversations I think the Swiss and probably the Japanese would be likely to follow our lead.

<u>There is one other area on which it would be helpful to have guidance from the Governor, which is whether the Bank should be identified as a respondent.</u> The BBA's draft sets out a list of institutions that have responded to the consultation, and notes that other respondents "wished to contribute on an anonymous basis". The Bank of England and the Federal Reserve are in the latter group (as is the FSA). The Bank of Japan, ECB and Swiss National Bank are listed as respondents. It is generally known that the Bank has been engaged in the debate about LIBOR from discussions that we have had with banks etc, but our engagement with the BBA has been in the form of meetings and telephone dialogue rather than a formal written response - that might be one argument for the Bank not to be identified in the BBA's list.

On more detailed points, including the possibility of a second later US dollar fixing, there was almost no appetite for change from respondents. As noted below, the closeness of ICAP's new NYFR rates to BBA US dollar LIBOR has taken the heat out of that issue, and in conjunction with the changes the BBA proposes to governance etc much of what heat there was in other more technical issues has very largely dissipated.

One issue that the BBA will flag as needing further exploration is the question of whether it should pursue a separate continental European dollar index. This had been suggested by some (medium-sized) European banks and trade associations such as the European Banking Federation and the (Paris-based) ACI (the Financial Markets Association). Angela Knight thought it possible that the ECB had had a hand in inspiring the feedback. The BBA would explore further on the grounds that if there is a desire for this sort of thing, it seemed preferable to have it within the tent than outside. If such a product did develop, the BBA would not wish it to share the LIBOR name or risk having it create confusion or detract from the stability of the LIBOR fixing.

Mike

-----Original Message-----
From:
Sent: Friday, July 18, 2008 2:38 PM
To: Cross, Michael; Governors - GPS; DGM Office; DGFS Office; Scott, Jenny; Wardlow, Andrew; Fisher, Paul;

Cc: Tucker, Paul; Markets - ED Office;
Subject: RE: LIBOR Review

Mike,

the Governor asked to pass on that he thought that this all sounded quite constructive and to carry on as planned,

thanks

-----Original Message-----
From: Cross, Michael
Sent: Wednesday, July 16, 2008 3:40 PM
To: Governors - GPS; DGM Office; DGFS Office; Scott, Jenny; Wardlow, Andrew; Fisher, Paul;

Cc: Tucker, Paul; Markets - ED Office;
Subject: LIBOR Review

PMWT, MC and had a teleconference with Angela Knight and John Ewan of BBA on Friday 11 July, re the responses the BBA had had to its consultation document and next steps.

On governance of the process, the BBA took the points that we and other central banks had made re making it fit for purpose. BBA had engaged Clifford Chance to help them work through it. Current thinking was that the over-arching governance committee needed to include rate users as well as banks, AK mentioned LIFFE specifically. PMWT encouraged her to include asset managers and hedge funds too, which AK was receptive to.

On the related question of central bank involvement AK was still in discussions at senior level with interested central banks - she was at the time in Washington where she was due to meet with Randy Krozner. BBA is looking for an arrangement whereby central banks observe the governance process in some form: at one end of the spectrum that could involve formal observer status on the over-arching governance committee; or, at the other end, something far less formal and visible. PMWT said he thought it likely we'd want to be at the latter end of the spectrum (and I know from a subsequent call from the New York Fed that that is their position.)

On more detailed issues, AK said that the responses to the consultation had not revealed demand for a second later US dollar fixing, which had been one of the Fed's suggestions. That perhaps reflected the fact that ICAP's new NYFR Fixings (a survey-based measure of 1 and 3 month unsecured bank funding costs in New York trading hours) had been so close to BBA dollar LIBORs (within a couple of basis points) since their launch a month ago. (The NY Fed told me that had reassured them, and to their mind now made a second LIBOR fixing much less of a need.) There is however some desire from continental European banks for a European dollar index that seeks to capture US dollar trading in continental Europe - at the time, it wasn't clear to AK whether that was a substantive or a cosmetic request, she said she's send us a note of the BBA's thoughts on that.

It was agreed that we would discuss again when AK had completed her consultations and the BBA's thinking on governance in particular had taken more definite form. A meeting is scheduled for 28 July.

MC

[illegible] to imanage pl]

From: Cross, Michael
Sent: 18 November 2008 17:36
To:
Subject: FW: LIBOR
Attachments: BBA01-#326798-v2-BBA_LIBOR_Governance_and_Scrutiny_-_as_sent_to_cttee_230908.DOC

Sensitivity: Confidential

-----Original Message-----
From: Alex Merriman [mailto:alex.merriman@bba.org.uk]
Sent: Friday, October 17, 2008 4:23 PM
To: Tucker, Paul; Cross, Michael
Cc: John Ewan
Subject: LIBOR
Sensitivity: Confidential

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mail has reached the Bank via the Internet or an external network
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Paul, Michael

First of all congratulations on getting out the paper yesterday: full of good features.

From my side, I attach a copy of our draft paper on LIBOR Governance and Scrutiny. This has been a little bit in limbo just recently, as we have had our own struggles with LIBOR, just as you have been battling with the markets.

The doc is not in the public domain, but if you did have comments, we would welcome them. We are not quite sure when we will launch, but if you were able to offer some feedback over the next couple of weeks or so, that would be great.

Best wishes

Alex

...nder J S Merriman
Executive Director, Wholesale & Regulation
British Bankers' Association

Tel No (office):
Tel No (mobile): +
Tel No (Sec): +
E-mail: alex.merriman

"The Voice of Banking and Financial Services"