A. *"BACK TO BASICS" : WHAT IS LIBOR ?*

(https://www.youtube.com/watch?v=A5MgRGFLAfI)

WALLA'A. I'm Walla'a.
TONY. and I'm Tony, and we're here for another edition of "back to basics" to talk about LIBOR.
WALLA'A. What's LIBOR?
TONY. Well Walla'a, LIBOR is the "L…….. I………….. Offered R……..", and it's, hands-down, one of the most important ………………. in the world.
WALLA'A. Tony, it doesn't sound basic to me but you know, come to think of it, I heard about it on the news while back. A friend of mine asked me about it.
TONY. Well, it's an ………………………….. set in London, England, by ……………………….., and it's just really important.
WALLA'A. More important than my school loan ………………?
TONY. Oh yeah.
WALLA'A. My mortgage ………………….. ?
TONY. Absolutely....
WALLA'A. How about my credit card ……………….?
TONY. Definitely yes, because all these ……………… you just mentioned are all themselves affected by LIBOR.
WALLA'A. Explain.
TONY. LIBOR is an ……………………… that gets used, kind of, like a benchmark for setting a lot of other ………………………….., using all kinds of ……………………….., even some consumer lending, like your …………………………………… for example. It's tied to LIBOR.
WALLA'A. hmm. So even my ………………………….. could be based on LIBOR.
TONY. Absolutely. Well you know, lately there's been a lot of controversy surrounding LIBOR.
WALLA'A. Yeah, I heard one of the big banks had to pay ………………………….. in fines because it fudged some of its submissions used to set the Libor rate, and some other banks are still being ………………………… for trying to do the same thing.
TONY. Well you actually do know quite a lot about LIBOR.
WALLA'A. Tony, I also know a bit about how LIBOR got started ; it was way back ……………………….
TONY. whoa, the ……………………………. were that far back ! Come on!
WALLA'A. Well from what I've read, ……………………………, banks needed a good benchmark …………………. they could use in setting prices for their ……………………….. . LIBOR was created to help with this back then,
TONY. And up to today,
WALLA'A. to determine the LIBOR ……………., certain banks reported the ………….. they would have to pay to ……………… in different ……………. such as the US dollar or the …………………… .
TONY. That's right, the banks report ……………. they think they can ……………. at four different ……………… periods, ranging from overnight to an entire year, and then the ……………….. of all these ……………. for each of the ………………… is called the "...................... ……………… offered ……………" or LIBOR for short.
WALLA'A. Tony, I've heard there are some ideas out there about how to improve LIBOR to make it more accurate.
TONY That's absolutely right Walla'a, but to learn more about LIBOR, and indeed some of these new ideas, visit ……………… and search "back-to-basics."
WALLA'A. ok I get to pick the topic next time!

B. CLIP 2 : WHAT EXACTLY IS LIBOR?

B1. Take notes to answer these questions (in report order)

1. How many banks do *number crunchers* call every day to compute Libor?
2. What information are they looking for when they call these banks?
3. How many numbers do they keep and why?
4. What sort of information do banks get thanks to Libor?
5. How does Libor influence ordinary bank clients?
6. What happens to banks and bank customers when Libor goes down?
7. What happens to them when Libor goes up?
8. Who tried to manipulate Libor and why?
9. What initiative was taken to stop that manipulation?

some help
number crunchers : people who calculate the value of Libor
an average : a medium value
to compute : to calculate
clues :" 4"-"10"-"18"-"3%"- "to borrow from" - "mortgage loans"-"rate"-"regulator"

C. PAIRWORK : SUMMARY (COMPLETE THE SENTENCES ; *different choices are available)*

(target : v+ING / to+vb / passive mode)

Libor calculations
Until 2023, the Libor rate (1) ______________ by the British Bankers' Association and the European Banking Association.
18 different interest rates ________(2)_______________ by leading banks to "number crunchers". But the lowest and the highest rates weren't significant because they ____(3)_______________ . That's why these figures (4)_________ by the "number crunchers", while the middle figures ____(5)______ to make an average.
The purpose of Libor for interbank lending and ordinary lending
Libor allowed the City's banks to know at what rate they could ____(6)____________________
However, Libor also affected ordinary borrowers, because it defined how much they ____(7)__________. This is important for flexible loans, because they can __________(8) __________ .
Libor fraud
Between 2005 and 2008, some dishonest bank agents (9) ____________ by ____(10)__________
For example, Barclay's interbank lending traders manipulated the "number crunchers" into ____(11)__________ .
During the credit crunch crisis, this manipulation allowed Barclays ________ (12) ______on the Stock Exchange and _____________ (13) ____________ its brand image.
Since June 30, 2023, LIBOR ________ (14) ________ by the Secured Overnight Financing Rate (SOFR) .

- ***to release***
- ***to correspond to short-term trends***
- ***to exclude***
- ***to meddle with Libor***
- ***to keep***
- ***to compute***
- ***to throw away***
- ***to cheat on Libor***
- ***to get better positions to increase or decrease quickly***
- ***to toss out***
- ***to replace***
- ***to focus on long-term trends***
- ***to pay in mortgage instalments***
- ***to corrupt Libor***
- ***to give***
- ***to increase share value on the stock exchange markets***
- ***to borrow from other banks***
- ***to put in false figures***
- ***to boost***

C. TEXT : BARCLAYS' LIBOR SCAM and CORPORATE ETHICS

C1. Define these words and acronyms in an English sentence

(visit investopedia.com or https://www.collinsdictionary.com)

Barclays ***plc :***
Barclays' ***board of shareholders*** *:*
Barclays' ***CEO*** *:*
Barclays' ***trading desks*** *:*
Barclays' poor ***monitoring*** *of its trading desks* ***:***
Barclays' bad ***corporate ethics*** *:*
Barclays' Libor ***rigging*** *:*
Barclay's ***£59.5m fine*** *:*

C2. Find a subtitle for each of the paragraphs (justify)

Barclays' traders had bad corporate ethics
Barclays destroyed the clients' trust in the banking system
An example of misconduct at Barclays' trading desks
Why Barclays' executives manipulated Libor
Why Barclay's traders cheated on Libor
Barclays didn't monitor its own trading desks
The FSA's inquiry didn't only target Barclays
A British politician calls for more sanctions

1………… : Between 2005 and 2008, the Barclays staff who submitted estimates of their own interbank lending rates were frequently lobbied by its derivatives traders to put in figures which would benefit their trading positions, in order to produce a profit for the bank.
2. ………….. : During the 2007-2008 banking crisis, Barclays' staff put in artificially low figures, to avoid the suspicion that Barclays was under financial stress and thus having to borrow at noticeably higher rates than its competitors.
3. …………. : Both UK and US authorities were critical of Barclays' lack of internal controls over its system of submitting information on Libor and Euribor. This, along with inadequate supervision of trading desks, "allowed this misconduct to occur", US regulators said.
4 ……………… : The FSA pointed out that Barclays traders were quite open in their routine attempts to lobby their colleagues who submitted the bank's estimate of its borrowing costs to the BBA. It was particularly concerned because it appeared to be "accepted culture" amongst some Barclays staff.
5 . …………….. : A trader recounted a conversation in which he had "begged" the submitter to put in a lower Libor figure. "I'm like, dude, you're killing us," he said. His manager replied, "just tell him to... put it low". In turn, the staff submitting the data would respond to the traders' requests. "For you…anything," said one. "Done… for you big boy," said another. A trader expressed his gratitude : "I owe you big time... I'm opening a bottle of Bollinger."
6 ……………. : Tracey McDermott, director of enforcement at the FSA : "The market needs to have confidence that those who are involved in submitting numbers to set Libor are thinking about the integrity of the market, and confidence in the market, and not their own interests."
7. …………… : The Financial Services Authority did not only investigate on Barclays. It seems highly likely that other banks, and in other countries, will face similar sanctions.
8. ………………. : Chief executive Bob Diamond and three other Barclays executives are to give up their bonuses. Three other Barclays executives will also give up their annual bonus this year. Although they and Mr Diamond were not involved in the manipulation attempt, Lord Oakeshott, a Liberal Democrat peer, has called on Mr Diamond to stand down : "If he had any shame he would go. If the Barclays board has any backbone, they'll sack him." *(from https://www.bbc.com/news/business-18612279)*

C3. Opinion (pairwork, write a paragraph)

Cf. point 8 : After Barclays was fined £59.5m by the FSA, Mr Diamond resigned as chief executive of Barclays on July 3, 2012, following the manipulation of Libor interest rates.

<u>Which sanction was really effective, and will it prevent future scandals?</u>