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Abstract

Amongst a series of scandals to hit international financial markets in recent years, that surrounding the London Interbank Offered Rate (LIBOR) – a highly influential interest rate benchmark – has attracted particularly intense media scrutiny. This paper seeks to push beyond conventional understandings to unpack critically both LIBOR itself and the scandal involving its manipulation by major international banks. Envisioning LIBOR as a commodity beset by inherent contradictions, the paper mobilizes the tropes of arbitration, arbitrage and arbitrariness to illuminate, respectively: the market-making work performed by LIBOR; its role in enabling the transfer of financial risk, most notably when fraudulently manipulated; and the nature of the regulatory prosecution of such manipulation.

Keywords:

- [financial markets](#)
- [risk](#)
- [calculative practices](#)
- [manipulation](#)
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- [banking](#)

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5. Up until 1998, submissions were based on a different question: 'At what rate do you think interbank term deposits will be offered by one prime bank to another prime bank for a reasonable market size today at 11 am?'
6. <http://www.bbalibor.com/explained/the-basics>(retrieved August 2013).
7. https://www.theice.com/iba_calculation.jhtml (emphasis added) (retrieved March 2014).
8. <http://www.global-rates.com/interest-rates/libor/libor-information.aspx> (retrieved August 2013).
9. IntercontinentalExchange acquired the right to administer LIBOR when it purchased NYSE Euronext in November 2013; the latter, through its own subsidiary Euronext Rate Administration Limited, had been appointed as the new administrator in July 2013 by the independent Hogg Tendering Advisory Committee.
10. <http://trademarks.justia.com/861/83/ice-86183638.html> (retrieved March 2014).
11. One way this is expressed is as a correlation between banks' liquidity risk premiums (measured as the spread between LIBOR and US Treasury rates) and sovereign default risk premiums (measured by sovereign bond yield or credit default swap spreads) (Huang *et al.*, [Citation2012](#)). As a Bank of International Settlements report noted in the context of both 2008 and 2011, 'indicators of bank stress are closely correlated with the indicators of stress in government securities markets. This demonstrates the close relationship between the perceived solvency of governments and the solvency of their countries' banks' (Allen & Moessner, [Citation2012](#), p. 3).
12. This proprietary value has long been appreciated by the BBA. When, in 2008, *The Wall Street Journal* reported growing distrust of LIBOR, the BBA responded forcefully. 'If it is deemed necessary', spokesman John Ewan said, 'we will take action to preserve the reputation and standing in the market of our rates' (Mollenkamp, [Citation2008](#)). IBA, moreover, has been extraordinarily quick to recognize and seek commercially to exploit this value: within days of assuming (with the need to be clients ex <https://www> licences terms would be the value that March 2014).
13. The firm fund (Aldrick, [Citation20](#)
14. Further population of benchmark markets, as opposed to rates in question a by WM/R rring in the 60-sec gation is of manipu the impact on the publis
15. Of cou rgets represent We will return to this in t
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18. For instance, Barclays was accused of violating Principle 5 of the FSA, which states that 'a firm must observe proper standards of market conduct' and Principle 3: 'a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems' (FSA, [Citation2012](#), p. 39).

19. This allegation was echoed by US Federal Reserve Chairman Ben Bernanke, who testified to a Congressional Panel in mid-2013 that 'the disclosures are troubling and have the effect of undermining confidence in financial markets' (Robertson *et al.*, [Citation2012](#)).

20. These penalties were mitigated based on Barclays' extensive co-operation with the FSA investigation.

21. Which is not to say that individual parties to contracts cannot pursue the bank for alleged damages. A list of plaintiffs seeking compensation for allegedly higher debt service payments due to LIBOR manipulation includes the University of California and the cities of Baltimore (MD), New Britain (CT), Richmond (CA), Riverside (CA) and San Mateo (CA) (Cotchett & McCarthy, [Citation2013](#); *The New York Times*, [Citation2013](#)).

22. According to revised DOJ prosecution guidelines '... where the collateral consequences of a corporate conviction for innocent third parties would be significant, it may be appropriate to consider a non-prosecution or deferred prosecution agreement with conditions designed, among other things, to promote compliance with applicable law and to prevent recidivism' (DOJ, [Citation2008](#)).

23. The Wheatley Review of Barclays' LIBOR transgressions, commissioned by the Chancellor of the Exchequer, concluded 'LIBOR manipulation and attempted manipulation is unlikely to constitute a criminal offence which falls under the prosecutorial responsibility of the FSA' (HM Treasury, [Citation2012](#), p. 18).

24. For instance, 'a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems ... The extent of Barclays' misconduct throughout the Relevant Period was exacerbated by these inadequate systems and controls ...

Compliance submission and EURIBOR

25. For other competition documents as [Citation2012](#).

26. Other proprietary and Levi's [Citation2012](#)

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Philip As

Phil Asht

Chicago. He has applied for a position in Illinois at the University of Chicago. He has worked in risk and infrastructure for the prime mortgage industry and has been involved in the sub-prime mortgage industry for several years over

Brett Christophers

Brett Christophers, Associate Professor at Uppsala University, and is an economic geographer who has written widely on the political and cultural economies of capitalism in both historical and contemporary perspectives, with a particular emphasis on finance and financial capital. He is the author of three monographs - most recently *Banking across Boundaries* (Wiley-Blackwell, 2013) - and numerous journal papers.

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