Re: LIBOR

Item ID:	31663
From:	[redacted] (b) (6)
To:	timothy.lee@fhfaoig.gov <timothy.lee@fhfaoig.gov>
Subject:	Re: LIBOR
Sent:	August 16, 2012 10:28 AM
Received:	August 16, 2012 10:28 AM

Lucky you. Week of the 27th it is. Enjoy your trip!
Message sent from a Blackberry device
From : Lee, Timothy <Timothy.Lee@fhfaoig.gov>
To : [redacted] (b) (6)
Sent : Thu Aug 16 10:16:40 2012 Subject : RE: LIBOR
Alas, I will be on Cape Cod next week. Perhaps the subsequent week, starting the 27 th ?
From: [redacted] (b) (6)
Sent: Thursday, August 16, 2012 10:01 AM
To: Lee, Timothy
Subject: Re: LIBOR
Tim
Great to hear from you. I'm out this week but would love to catch up. How about Monday or Tuesday at 4.
[redacted] (b) (6)
Message sent from a Blackberry device
From : Lee, Timothy < Timothy.Lee@fhfaoig.gov >
To : [redacted] (b) (6)
Cc : [redacted] (b) (6) Parker, Richard [redacted] (b) (6)
Sent : Thu Aug 16 07:36:25 2012
Subject : LIBOR
Hi [redacted] (b) (6)
We, um, couldn't help but notice what
you folks have been up to lately . We've taken notice of it ourselves, [redacted] (b) (5)
When you have a free moment, could you give me a buzz?
Best,
Tim

Timothy Lee
Senior Policy Advisor, FHFA-OIG
202-730-2821

LIBOR

Item ID:	31666
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted]
Cc:	[redacted], Rhinesmith, Alan </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=98d654fcd31f48f7887a69bf4cc5b12d-Alan Rhines>, Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Subject:	LIBOR
Sent:	August 16, 2012 10:30 AM
Received:	August 16, 2012 10:30 AM

H[redacted] Thanks for taking the time to hop on the phone today. As discussed, I will touch base very soon with FHFA about ensuring proper coordination as next steps arise. Attached please find the loss analysis I mentioned. I've focused on the net floating leg of the Enterprises' reported swaps portfolios, assuming that (as an approximation) all of such floating legs are LIBOR-based. This strikes me as possibly money that, if the allegations prove out, unjustly remained in the pockets of Barclays, UBS, B of A and the rest, which were in a position to manipulate LIBOR and thus affect the value of these trades directly. Mark-to-market and swaption valuations also came to mind as I thought about this issue. But, as I mentioned, they seem less likely to be significant in this context for two reasons: · While Treasury undoubtedly did make payments related to "fair value" losses on derivatives investments, the money did not flow through to the banks that sold those derivatives to the Enterprises, ending up instead as preferred shares. · While distortions in option pricing could add to the Enterprises' losses (by pushing spot down and volatility up), the quantity of options in the Enterprises' portfolio is much smaller than the amount of interest rate swaps. The attached analysis tracks the net amount of "receive-floating" swaps outstanding at the end of each quarter, and calculates the cumulative losses incurred if LIBOR were suppressed by the indicated amount. So, for example, if we have reason to believe that LIBOR was pushed down by a constant 30 basis points from 4Q08 through calendar 2009, it seems reasonable to pencil in a resulting loss of about $925 million to the two Enterprises. (I trace this order of magnitude to an Economist article (see "Clean in Principle"); it is of course open for debate whether, if distasteful acts occurred, the magnitude of such acts remained the same since the Enterprises went into conservatorship.) I'm happy to hear out comments or trade notes on this topic if you like. Let's plan on staying in touch. Best, Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1

LIBOR proposal.xlsx

Original view

2 pages (displayed on pages 3 to 4)

Cash Flow Shortfall from LIBOR Suppression

Enterprises Interest Rate Swaps

dollars in millions

Swap Notic	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10
Fannie Mae							
Pay Fixed S	546,916	620,850	650,447	435,693	382,600	315,857	317,259
Less: Recei	451,081	549,823	571,802	340,384	275,417	229,293	234,901
Plus: Basis	24,560	19,815	22,200	11,000	3,225	3,220	3,020
Net Receiv	120,395	90,842	100,845	106,309	110,408	89,784	85,378
Freddie Mac							
Less: Rece	266,685	336,207	284,244	320,458	271,403	255,940	349,545
Plus: Pay F	404,359	342,747	401,904	414,776	382,259	382,145	386,194
Plus: Basis Swaps		82,090	51,065	51,615	52,045	54,070	53,910
Net Receiv	137,674	88,630	168,725	145,933	162,901	180,275	90,559
Enterprises							
Net Receiv	258,069	179,472	269,570	252,242	273,309	270,059	175,937
Swap Cash Flow Shortfall - Quarterly Totals							
0.10%	64.5	44.9	67.4	63.1	68.3	67.5	44.0
0.20%	129.0	89.7	134.8	126.1	136.7	135.0	88.0
0.30%	193.6	134.6	202.2	189.2	205.0	202.5	132.0
0.40%	258.1	179.5	269.6	252.2	273.3	270.1	175.9
Swap Cash Flow Shortfall - Cumulative							
0.10%	64.5	109.4	176.8	239.8	308.2	375.7	419.7
0.20%	129.0	218.8	353.6	479.7	616.3	751.4	839.3
0.30%	193.6	328.2	530.3	719.5	924.5	1,127.0	1,259.0
0.40%	258.1	437.5	707.1	959.4	1,232.7	1,502.7	1,678.7

30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	30-Jun-12
296,877	277,227	270,250	205,084	193,882	186,757	206,307	229,227
233,613	224,177	214,777	161,151	179,808	229,695	250,322	265,593
2,485	485	1,565	2,552	6,997	9,622	18,673	20,922
65,749	53,535	57,038	46,485	21,071	(33,316)	(25,342)	(15,444)
316,574	324,590	249,793	215,758	220,668	211,808	248,453	260,428
363,668	394,294	330,015	321,870	293,683	289,335	296,573	292,660
2,775	2,375	3,375	3,275	2,275	2,750	2,400	2,350
49,869	72,079	83,597	109,387	75,290	80,277	50,520	34,582
115,618	125,614	140,635	155,872	96,361	46,961	25,178	19,138
28.9	31.4	35.2	39.0	24.1	11.7	6.3	4.8
57.8	62.8	70.3	77.9	48.2	23.5	12.6	9.6
86.7	94.2	105.5	116.9	72.3	35.2	18.9	14.4
115.6	125.6	140.6	155.9	96.4	47.0	25.2	19.1
448.6	480.0	515.1	554.1	578.2	589.9	596.2	601.0
897.1	959.9	1,030.3	1,108.2	1,156.4	1,179.9	1,192.4	1,202.0
1,345.7	1,439.9	1,545.4	1,662.3	1,734.6	1,769.8	1,788.7	1,803.0
1,794.3	1,919.9	2,060.5	2,216.4	2,312.8	2,359.7	2,384.9	2,404.0

LIBOR

Item ID: 31668
From: Rau, Russell [redacted]
To: Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Cc: Parker, Richard [redacted] DiSanto, Emilia [redacted]
Subject: LIBOR
Sent: August 16, 2012 10:33 AM
Received: August 16, 2012 10:33 AM

Tim – Are you continuing with the research on LIBOR. I have one aspect thsat I would like to discuss with however is doing the research. Please let me know. Thanks. Russell A. Rau Deputy Inspector General for Audits Office of Inspector General Federal Housing Finance Agency 400 7 th Street SW, Room 3129 Washington, DC 20024 Voice: [redacted]

FW: LIBOR

Item ID:	31669
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Subject:	FW: LIBOR
Sent:	August 16, 2012 10:35 AM
Received:	August 16, 2012 10:35 AM

Hi Old Salt, I await an op order delineating the desired response. Please note that I am fully booked from lunch until 3:30, when I have to leave for the day. However, tomorrow looks much more open. Tim From: Rau, Russell Sent: Thursday, August 16, 2012 10:34 AM To: Lee, Timothy Cc: Parker, Richard; DiSanto, Emilia Subject: LIBOR Tim – Are you continuing with the research on LIBOR. I have one aspect thsat I would like to discuss with however is doing the research. Please let me know. Thanks. Russell A. Rau Deputy Inspector General for Audits Office of Inspector General Federal Housing Finance Agency 400 7 th Street SW, Room 3129 Washington, DC 20024 Voice (b) (6) [redacted]

Re: LIBOR

Item ID: 31671
From: [redacted]
To: Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Cc: Rhinesmith, Alan [redacted], Parker, Richard [redacted]
Subject: Re: LIBOR
Sent: August 16, 2012 10:50 AM
Received: August 16, 2012 10:51 AM

Thanks for sharing this analysis, Tim.
I will send it to our business folks and get their thoughts.
I'm sure we will be talking soon,
[redacted]
Freddie Mac
8200 Jones Branch Drive, MS 202
McLean, Virginia 22102
[redacted]
"Lee,
Timothy" <Timothy.Lee@fhfaoig.gov>
08/16/2012 10:30 AM
To
[redacted]
cc
[redacted] "Rhinesmith, Alan" [redacted]
"Parker, Richard" [redacted]
Subject
LIBOR
Hi [redacted]
Thanks for taking the time to hop on the phone today. As discussed, I will touch base very soon with FHFA about ensuring proper coordination as next steps arise.
Attached please find the loss analysis I mentioned. I've focused on the net floating leg of the Enterprises' reported swaps portfolios, assuming that (as an approximation) all of such floating legs are LIBOR-based. This strikes me as possibly money that, if the allegations prove out, unjustly remained in the pockets of Barclays, UBS, B of A and the rest, which were in a position to manipulate LIBOR and thus affect the value of these trades directly.
Mark-to-market and swaption valuations also came to mind as I thought about this issue. But, as I mentioned, they seem less likely to be significant in this context for two reasons:
· While Treasury undoubtedly did make payments related to "fair value" losses on derivatives investments, the money did not flow through to the banks

that sold those derivatives to the Enterprises, ending up instead as preferred shares.

· While distortions in option pricing could add to the Enterprises' losses (by pushing spot down and volatility up), the quantity of options in the Enterprises' portfolio is much smaller than the amount of interest rate swaps.

The attached analysis tracks the net amount of “receive-floating” swaps outstanding at the end of each quarter, and calculates the cumulative losses incurred if LIBOR were suppressed by the indicated amount. So, for example, if we have reason to believe that LIBOR was pushed down by a constant 30 basis points from 4Q08 through calendar 2009, it seems reasonable to pencil in a resulting loss of about $925 million to the two Enterprises. (I trace this order of magnitude to an Economist article (see “Clean in Principle”); it is of course open for debate whether, if distasteful acts occurred, the magnitude of such acts remained the same since the Enterprises went into conservatorship.)

I'm happy to hear out comments or trade notes on this topic if you like. Let's plan on staying in touch.

Best,

Tim

Timothy Lee
Senior Policy Advisor, FHFA-OIG
202-730-2821

Attachment #1

LIBOR proposal.xlsx

Original view

2 pages (displayed on pages 4 to 5)

Cash Flow Shortfall from LIBOR Suppression

Enterprises Interest Rate Swaps

dollars in millions

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233,613	224,177	214,777	161,151	179,808	229,695	250,322	265,593
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65,749	53,535	57,038	46,485	21,071	(33,316)	(25,342)	(15,444)
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57.8	62.8	70.3	77.9	48.2	23.5	12.6	9.6
86.7	94.2	105.5	116.9	72.3	35.2	18.9	14.4
115.6	125.6	140.6	155.9	96.4	47.0	25.2	19.1
448.6	480.0	515.1	554.1	578.2	589.9	596.2	601.0
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1,794.3	1,919.9	2,060.5	2,216.4	2,312.8	2,359.7	2,384.9	2,404.0

RE: LIBOR

Item ID:	31672
From:	Parker, Richard [redacted]
To:	Rau, Russel [redacted] Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Cc:	DiSanto, Emilia [redacted]
Subject:	RE: LIBOR
Sent:	August 16, 2012 11:03 AM
Received:	August 16, 2012 11:03 AM

Russ, Tim is on this, but he’s tied-up today. He’ll circle-back with you. If this is in any way emergent or time sensitive, then please feel free to stop-by. I’m in all day. Rich Richard Parker Director, Policy, Oversight & Review Office of the Inspector General Federal Housing Finance Agency 400 7 th Street, SW Washington, D.C. 20024 Tel: [redacted] Cell: [redacted] From: Rau, Russell Sent: Thursday, August 16, 2012 10:34 AM To: Lee, Timothy Cc: Parker, Richard; DiSanto, Emilia Subject: LIBOR Tim – Are you continuing with the research on LIBOR. I have one aspect thsat I would like to discuss with however is doing the research. Please let me know. Thanks. Russell A. Rau Deputy Inspector General for Audits Office of Inspector General Federal Housing Finance Agency 400 7 th Street SW, Room 3129 Washington, DC 20024 Voice: [redacted]

RE: LIBOR

Item ID:	31674
From:	Rau, Russell [redacted]
To:	Parker, Richard [redacted], Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Cc:	DiSanto, Emilia [redacted]
Subject:	RE: LIBOR
Sent:	August 16, 2012 11:13 AM
Received:	August 16, 2012 11:13 AM

While it may be emergent, it is not urgent. Russell A. Rau Deputy Inspector General for Audits Office of Inspector General Federal Housing Finance Agency 400 7 th Street SW, Room 3129 Washington, DC 20024 Voice: [redacted] From: Parker, Richard Sent: Thursday, August 16, 2012 11:04 AM To: Rau, Russell; Lee, Timothy Cc: DiSanto, Emilia Subject: RE: LIBOR Russ, Tim is on this, but he’s tied-up today. He’ll circle-back with you. If this is in any way emergent or time sensitive, then please feel free to stop-by. I’m in all day. Rich Richard Parker Director, Policy, Oversight & Review Office of the Inspector General Federal Housing Finance Agency 400 7 th Street, SW Washington, D.C. 20024 Tel: [redacted] From: Rau, Russell Sent: Thursday, August 16, 2012 10:34 AM To: Lee, Timothy Cc: Parker, Richard; DiSanto, Emilia Subject: LIBOR Tim – Are you continuing with the research on LIBOR. I have one aspect thsat I would like to discuss with however is doing the research. Please let me know. Thanks. Russell A. Rau Deputy Inspector General for Audits Office of Inspector General Federal Housing Finance Agency 400 7 th Street SW, Room 3129 Washington, DC 20024 Voice: [redacted]

FW: LIBOR

Item ID:	31675
From:	[redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Cc:	[redacted] Emerzian, Peter [redacted]
Subject:	FW: LIBOR
Sent:	August 16, 2012 12:21 PM
Received:	August 16, 2012 12:21 PM

Tim – [redacted] and I went to your ofc earlier this morning and I just called your ofc and cell with [redacted] – please come by when you have a chance. I am in case review at 1:00pm, but will stop and continue after our meet with you. Thanks, [redacted] Federal Housing Finance Agency Office of the Inspector General 400 7 th Street SW Washington, DC 20024 [redacted] From: Lee, Timothy Sent: Thursday, August 16, 2012 10:16 AM To: Parker, Richard Cc: Rhinesmith, Alan; [redacted] Subject: LIBOR Sensitivity: Confidential Hi Old Salt, Alan and I finally had our conversation with Freddie. Like Fannie, they noted that FHFA has initially reached out to them. [redacted] Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: LIBOR

Item ID:	31676
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Rau, Russell </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=a1f96ed5284340bcb4523383666a913e-Russell Rau>, Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Cc:	DiSanto, Emilia </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d94639648c304c1d8447667da03493cb-Emilia DiSa>
Subject:	RE: LIBOR
Sent:	August 16, 2012 1:56 PM
Received:	August 16, 2012 1:56 PM

We can talk tomorrow; I am free most of the day. Let me know if you prefer a specific time. From: Rau, Russell Sent: Thursday, August 16, 2012 11:14 AM To: Parker, Richard; Lee, Timothy Cc: DiSanto, Emilia Subject: RE: LIBOR While it may be emergent, it is not urgent. Russell A. Rau Deputy Inspector General for Audits Office of Inspector General Federal Housing Finance Agency 400 7 th Street SW, Room 3129 Washington, DC 20024 Voice: (b) (6) [redacted] From: Parker, Richard Sent: Thursday, August 16, 2012 11:04 AM To: Rau, Russell; Lee, Timothy Cc: DiSanto, Emilia Subject: RE: LIBOR Russ, Tim is on this, but he’s tied-up today. He’ll circle-back with you. If this is in any way emergent or time sensitive, then please feel free to stop-by. I’m in all day. Rich Richard Parker Director, Policy, Oversight & Review Office of the Inspector General Federal Housing Finance Agency 400 7 th Street, SW Washington, D.C. 20024 Tel (b) (6) [redacted] From: Rau, Russell Sent: Thursday, August 16, 2012 10:34 AM To: Lee, Timothy Cc: Parker, Richard; DiSanto, Emilia Subject: LIBOR Tim – Are you continuing with the research on LIBOR. I have one aspect thsat I would like to discuss with however is doing the research. Please let me know. Thanks. Russell A. Rau Deputy Inspector General for Audits Office of Inspector General Federal Housing Finance Agency 400 7 th Street SW, Room 3129 Washington, DC 20024 Voice: (b) (6) [redacted]

Libor

Item ID: 31677
From: Wu, Simon [redacted] (b) (6)
To: [redacted] (b) (6) Seide, David [redacted] (b) (6)
Cc: Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject: Libor
Sent: August 16, 2012 2:43 PM
Received: August 16, 2012 2:43 PM

[redacted] (b) (5) Just a thought… Simon Z. Wu, Ph.D. Chief Economist Office of Inspector General Federal Housing Finance Agency 400 7 th Street, SW Washington, DC 20024 Voice: [redacted] (b) (6)

RE: Libor

Item ID: 31679
From: Seide, David [redacted]
To: Wu, Simon [redacted]
Cc: Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject: RE: Libor
Sent: August 16, 2012 2:45 PM
Received: August 16, 2012 2:45 PM

I agree; [redacted]. From: Wu, Simon Sent: Thursday, August 16, 2012 2:43 PM To: [redacted]; Seide, David Cc: Lee, Timothy Subject: Libor [redacted] Just a thought… Simon Z. Wu, Ph.D. Chief Economist Office of Inspector General Federal Housing Finance Agency 400 7 th Street, SW Washington, DC 20024 Voice: [redacted]

RE: Follow-up on numbers

Item ID:	31680
From:	[redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: Follow-up on numbers
Sent:	August 17, 2012 11:36 AM
Received:	August 17, 2012 11:36 AM

Tim, please give me a call at [redacted] Thanks. [redacted] From: Lee, Timothy [mailto:Timothy.Lee@fhfaoig.gov] Sent: Wednesday, August 15, 2012 3:23 PM To: [redacted] Cc: Parker, Richard; [redacted] Subject: Follow-up on numbers Gentlemen, By way of addressing one question that arose yesterday, [redacted] Hope this helps. Let me know if questions arise. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: Follow-up on numbers

Item ID:	31681
From:	Parker, Richard [redacted] (b) (6)
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: Follow-up on numbers
Sent:	August 17, 2012 12:18 PM
Received:	August 17, 2012 12:18 PM

Let him know we'll be in touch. Roger that. Tx, Skipper
Sent from my Windows Phone
From:
Lee, Timothy
Sent:
8/17/2012 12:03 PM
To:
Parker, Richard
Subject:
FW: Follow-up on numbers
Hi Old Salt,
I should call him today, even if only to say weâ€™ll be back to him.
Tim
From: [redacted] (b) (6)]
Sent: Friday, August 17, 2012 11:36 AM
To: Lee, Timothy
Subject: RE: Follow-up on numbers
Tim, please give me a call a [redacted] (b) (6).
Thanks.
[redacted] (b) (6)
From: Lee, Timothy
[mailto:Timothy.Lee@fhfaoig.gov]
Sent: Wednesday, August 15, 2012 3:23 PM
To: [redacted] (b) (6)
Cc: Parker, Richard; [redacted] (b) (6)
Subject: Follow-up on numbers
Gentlemen,
By way of addressing one question that arose yesterday, [redacted] (b) (5)

Â·

(b) (5)

[redacted].

Hope this helps. Let me know if questions arise.

Tim

Timothy Lee

Senior Policy Advisor, FHFA-OIG

202-730-2821

RE: Follow-up on numbers

Item ID:	31683
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted] (b) (6)
Subject:	RE: Follow-up on numbers
Sent:	August 17, 2012 1:42 PM
Received:	August 17, 2012 1:42 PM

Hi (b) (6), I called and got a voice mail program, but it didn't sound like yours. We acknowledge your request, and are figuring out internally how best to fulfill it. Give me a buzz if you like – 202-730-2821. Best, Tim From: (b) (6) [redacted] Sent: Friday, August 17, 2012 11:36 AM To: Lee, Timothy Subject: RE: Follow-up on numbers Tim, please give me a call at 202-616-3898. Thanks. (b) (6) From: Lee, Timothy [mailto:Timothy.Lee@fhfaoig.gov] Sent: Wednesday, August 15, 2012 3:23 PM To: (b) (6) [redacted] Cc: Parker, Richard; (b) (6) Subject: Follow-up on numbers Gentlemen, By way of addressing one question that arose yesterday, (b) (5) [redacted] Hope this helps. Let me know if questions arise. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821 Confidentiality Notice: The information in this email and any attachments may be confidential or privileged under applicable law, or otherwise protected from disclosure to anyone other than the intended recipient(s). Any use, distribution, or copying of this email, including any of its contents or attachments by any person other than the intended recipient, or for any purpose other than its intended use, is strictly prohibited. If you believe you received this email in error, please permanently delete it and any attachments, and do not save, copy, disclose, or rely on any part of the information. Please call the OIG at 202-730-4949 if you have any questions or to let us know you received this email in error.

RE: Emailing: Derivatives White Paper Graphs.xlsx, LIBOR proposal.xlsx

Item ID:	31684
From:	Wu, Simon [redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: Emailing: Derivatives White Paper Graphs.xlsx, LIBOR proposal.xlsx
Sent:	August 17, 2012 2:13 PM
Received:	August 17, 2012 2:13 PM

Ok thanks. Could you forward me the latest draft too? No rush...any time before you leave is fine... I may insert some of the analysis into the draft next week.

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

From: Lee, Timothy

Sent: Friday, August 17, 2012 1:39 PM

To: Wu, Simon

Subject: Emailing: Derivatives White Paper Graphs.xlsx, LIBOR proposal.xlsx

Hi Simon,

Here is that Excel file with the existing graphics for the derivatives white paper. I've also attached an Excel sheet with quarterly stats on swaps outstanding; if we want, it's a fairly simple matter to extend this out and include reported options totals to come up with a figure of how much notional balance the Enterprises have had over time.

This is the latest; you may want to save the file with your edits to SharePoint.

Tim

RE: Emailing: Derivatives White Paper Graphs.xlsx, LIBOR proposal.xlsx

Item ID:	31685
From:	Wu, Simon [redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Cc:	Phillips, Wesley [redacted]
Subject:	RE: Emailing: Derivatives White Paper Graphs.xlsx, LIBOR proposal.xlsx
Sent:	August 17, 2012 3:18 PM
Received:	August 17, 2012 3:18 PM

Ok sounds good.

From: Lee, Timothy
Sent: Friday, August 17, 2012 2:23 PM
To: Wu, Simon
Cc: Phillips, Wesley
Subject: RE: Emailing: Derivatives White Paper Graphs.xlsx, LIBOR proposal.xlsx
Here is the latest.
You may want to develop graphics off the document for now. Wes plans to reorganize the paper after he is back from leave, in order to meet our general standard. It probably makes sense to insert graphics after that is done.
Tim
-----Original Message-----
From: Wu, Simon
Sent: Friday, August 17, 2012 2:13 PM
To: Lee, Timothy
Subject: RE: Emailing: Derivatives White Paper Graphs.xlsx, LIBOR proposal.xlsx
Ok thanks. Could you forward me the latest draft too? No rush...any time before you leave is fine... I may insert some of the analysis into the draft next week.
-----Original Message-----
From: Lee, Timothy
Sent: Friday, August 17, 2012 1:39 PM
To: Wu, Simon
Subject: Emailing: Derivatives White Paper Graphs.xlsx, LIBOR proposal.xlsx
Hi Simon,
Here is that Excel file with the existing graphics for the derivatives white paper. I've also attached an Excel sheet with quarterly stats on swaps outstanding; if we want, it's a fairly simple matter to extend this out and include reported options totals to come up with a figure of how much notional balance the Enterprises have had over time.
This is the latest; you may want to save the file with your edits to SharePoint.
Tim

RE: Follow-up on numbers

Item ID:	31686
From:	Parker, Richard [redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: Follow-up on numbers
Sent:	August 21, 2012 9:46 AM
Received:	August 21, 2012 9:46 AM

Skipper, Mike is leading this column. I spoke with him this morning. Bottom line: [redacted]. Pls let me know how it goes. Rich From: Lee, Timothy Sent: Friday, August 17, 2012 12:03 PM To: Parker, Richard Subject: FW: Follow-up on numbers Hi Old Salt, I should call him today, even if only to say we'll be back to him. Tim From: [redacted] Sent: Friday, August 17, 2012 11:36 AM To: Lee, Timothy Subject: RE: Follow-up on numbers Tim, please give me a call a [redacted]. Thanks. [redacted] From: Lee, Timothy [mailto:Timothy.Lee@fhfaoig.gov] Sent: Wednesday, August 15, 2012 3:23 PM To: [redacted] Cc: Parker, Richard; [redacted] Subject: Follow-up on numbers Gentlemen, By way of addressing one question that arose yesterday, [redacted] Hope this helps. Let me know if questions arise. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821 Confidentiality Notice: The information in this email and any attachments may be confidential or privileged under applicable law, or otherwise protected from disclosure to anyone other than the intended recipient(s). Any use, distribution, or copying of this email, including any of its contents or attachments by any person other than the intended recipient, or for any purpose other than its intended use, is strictly prohibited. If you believe you received this email in error, please permanently delete it and any attachments, and do not save, copy, disclose, or rely on any part of the information. Please call the OIG at 202-730-4949 if you have any questions or to let us know you received this email in error.

LIBOR`

Item ID:	31687
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted] </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=45ad7effd12a4beeb3be31b646cc60d6-[redacted]>
Subject:	LIBOR`
Sent:	August 27, 2012 8:32 AM
Received:	August 27, 2012 8:32 AM

Hi [redacted], Just back in from leave. Let me know if we should catch up about your G-man friend. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

LIBOR

Item ID:	31688
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Timothy.Friedman@fhfa.gov
Subject:	LIBOR
Sent:	August 27, 2012 8:38 AM
Received:	August 27, 2012 8:38 AM

Hi Tim, Could I swing by for a minute today? [redacted] (b) (5) [redacted]. It probably makes sense to discuss how to develop more precise information and introducing you to my contact at DOJ. Thanks, Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Re: LIBOR

Item ID:	31689
From:	Friedman, Timothy <Timothy.Friedman@fhfa.gov>
To:	Timothy Lee <Timothy.Lee@fhfaoig.gov>
Subject:	Re: LIBOR
Sent:	August 27, 2012 10:34 AM
Received:	August 27, 2012 10:36 AM

Hi, Tim. I'm on leave until Wednesday. I emailed Fred Graham to see if he had some time to talk about this with you.
Thanks. Tim
From : Timothy Lee
Sent : Monday, August 27, 2012 08:38 AM To : Friedman, Timothy
Subject : LIBOR
Hi Tim,
Could I swing by for a minute today? [redacted] (b) (5)
[redacted]. It probably makes sense to discuss how to develop more precise information and introducing you to my contact at DOJ.
Thanks,
Tim

Timothy Lee
Senior Policy Advisor, FHFA-OIG
202-730-2821

Fw: LIBOR

Item ID:	31690
From:	Friedman, Timothy <Timothy.Friedman@fhfa.gov>
To:	Timothy Lee <Timothy.Lee@fhfaoig.gov>
Subject:	Fw: LIBOR
Sent:	August 27, 2012 10:36 AM
Received:	August 27, 2012 10:36 AM

Please go ahead and shoot Fred Graham an email, call or stop by his office. Tim
From : Graham, Fred C.
Sent : Monday, August 27, 2012 10:34 AM To : Friedman, Timothy
Subject : RE: LIBOR
Sure. Fred From: Friedman, Timothy Sent: Monday, August 27, 2012 9:58 AM To: Graham, Fred C. Subject: RE: LIBOR Fred: OIG (Tim Lee) and OMK (me) have been following up at FRE and FNM to evaluate the impact of the LIBOR suppression issue. I'm on leave until Thursday and would like Tim to follow-up with someone early this week about developments in this issue. May I refer him to you in the meantime? Thanks. Tim From: Timothy Lee Sent: Monday, August 27, 2012 8:39 AM To: Friedman, Timothy Subject: LIBOR Hi Tim, Could I swing by for a minute today? [redacted] (b) (5) [redacted]. It probably makes sense to discuss how to develop more precise information and introducing you to my contact at DOJ. Thanks, Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

LIBOR

Item ID:	31691
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	fred.graham@fhfa.gov <fred.graham@fhfa.gov>
Cc:	Timothy.Friedman@fhfa.gov, Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Subject:	LIBOR
Sent:	August 27, 2012 10:52 AM
Received:	August 27, 2012 10:52 AM

Hi Fred, Following up on Tim Friedman’s referral, [redacted] (b) (5) I wrote up a memo (Word document attached) outlining a possible vector of harm through the Enterprises’ derivatives portfolios, and at DOJ’s request extended the basic idea out through 4Q08 to the present to get a pencil figure of possible losses (Excel document attached). [redacted] (b) (5) and after speaking to Tim Friedman I think it makes sense to involve the Agency as well, and see how we might work with the Enterprises to this end. Let me know when you free up and we can chat for a bit. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1

Libor Proposal.docx

Original view

2 pages (displayed on pages 3 to 4)

OFFICE OF INSPECTOR GENERAL

Federal Housing Finance Agency

400 7th Street, S.W., Washington DC 20024

5 July 2012

To Richard Parker

From Timothy Lee

Subject Effect of LIBOR Bid-Rigging Investigation on Fannie Mae and Freddie Mac

Cc	[redacted] (b) (6)	Peter Emerzian	Wesley Phillips
	[redacted] (b) (6)	[redacted]	
	Alan Rhinesmith	Simon Wu	

[redacted] (b) (5)

(b) (5)

[redacted]

Attachment #2

LIBOR proposal.xlsx

Original view

2 pages (displayed on pages 6 to 7)

Cash Flow Shortfall from LIBOR Suppression
Enterprises Interest Rate Swaps
dollars in millions

Swap Notic	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10
Fannie Mae							
Pay Fixed S	546,916	620,850	650,447	435,693	382,600	315,857	317,259
Less: Recei	451,081	549,823	571,802	340,384	275,417	229,293	234,901
Plus: Basis	24,560	19,815	22,200	11,000	3,225	3,220	3,020
Net Receiv	120,395	90,842	100,845	106,309	110,408	89,784	85,378
Freddie Mac							
Less: Rece	266,685	336,207	284,244	320,458	271,403	255,940	349,545
Plus: Pay F	404,359	342,747	401,904	414,776	382,259	382,145	386,194
Plus: Basis Swaps		82,090	51,065	51,615	52,045	54,070	53,910
Net Receiv	137,674	88,630	168,725	145,933	162,901	180,275	90,559
Enterprises							
Net Receiv	258,069	179,472	269,570	252,242	273,309	270,059	175,937
Swap Cash Flow Shortfall - Quarterly Totals							
0.10%	64.5	44.9	67.4	63.1	68.3	67.5	44.0
0.20%	129.0	89.7	134.8	126.1	136.7	135.0	88.0
0.30%	193.6	134.6	202.2	189.2	205.0	202.5	132.0
0.40%	258.1	179.5	269.6	252.2	273.3	270.1	175.9
Swap Cash Flow Shortfall - Cumulative							
0.10%	64.5	109.4	176.8	239.8	308.2	375.7	419.7
0.20%	129.0	218.8	353.6	479.7	616.3	751.4	839.3
0.30%	193.6	328.2	530.3	719.5	924.5	1,127.0	1,259.0
0.40%	258.1	437.5	707.1	959.4	1,232.7	1,502.7	1,678.7

30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	30-Jun-12
296,877	277,227	270,250	205,084	193,882	186,757	206,307	229,227
233,613	224,177	214,777	161,151	179,808	229,695	250,322	265,593
2,485	485	1,565	2,552	6,997	9,622	18,673	20,922
65,749	53,535	57,038	46,485	21,071	(33,316)	(25,342)	(15,444)
316,574	324,590	249,793	215,758	220,668	211,808	248,453	260,428
363,668	394,294	330,015	321,870	293,683	289,335	296,573	292,660
2,775	2,375	3,375	3,275	2,275	2,750	2,400	2,350
49,869	72,079	83,597	109,387	75,290	80,277	50,520	34,582
115,618	125,614	140,635	155,872	96,361	46,961	25,178	19,138
28.9	31.4	35.2	39.0	24.1	11.7	6.3	4.8
57.8	62.8	70.3	77.9	48.2	23.5	12.6	9.6
86.7	94.2	105.5	116.9	72.3	35.2	18.9	14.4
115.6	125.6	140.6	155.9	96.4	47.0	25.2	19.1
448.6	480.0	515.1	554.1	578.2	589.9	596.2	601.0
897.1	959.9	1,030.3	1,108.2	1,156.4	1,179.9	1,192.4	1,202.0
1,345.7	1,439.9	1,545.4	1,662.3	1,734.6	1,769.8	1,788.7	1,803.0
1,794.3	1,919.9	2,060.5	2,216.4	2,312.8	2,359.7	2,384.9	2,404.0

Out of Office: LIBOR

Item ID:	31692
From:	Friedman, Timothy <Timothy.Friedman@fhfa.gov>
To:	Timothy Lee <Timothy.Lee@fhfaoig.gov>
Subject:	Out of Office: LIBOR
Sent:	August 27, 2012 10:52 AM
Received:	August 27, 2012 10:52 AM

***Effective January 13, 2012, I will have a new address and office telephone number: New Address: 400 7 th Street, SW Washington, DC 20024 New Phone: (b) (6)

RE: LIBOR

Item ID: 31693
From: Parker, Richard [redacted]
To: Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Cc: DiSanto, Emilia [redacted]
Subject: RE: LIBOR
Sent: August 27, 2012 11:07 AM
Received: August 27, 2012 11:07 AM

Nicely done, Tim. Tx - R
Sent from my Windows Phone
From:
Lee, Timothy
Sent:
8/27/2012 10:52 AM
To:
fred.graham@fhfa.gov
Cc:
Timothy.Friedman@fhfa.gov; Parker, Richard
Subject:
LIBOR
Hi Fred,
Following up on Tim Friedmanâ€™s referral, weâ€™ve had some initial contact with folks at DOJ who are looking at the LIBOR issue. [redacted]
Let me know when you free up and we can chat for a bit.
Tim

Timothy Lee
Senior Policy Advisor, FHFA-OIG
202-730-2821

LIBOR

Item ID: 31695
From: Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To: [redacted] </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=8e7806771e6a4a00bdc45eca75864a81-[redacted], Timothy.Friedman@fhfa.gov, fred.graham@fhfa.gov
Cc: [redacted] </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=45ad7effd12a4beeb3be31b646cc60d6-[redacted], Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>, Stephens, Michael </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=2da0367840de4f2c8c5ac168562ab556-Michael Ste>
Subject: LIBOR
Sent: August 27, 2012 2:19 PM
Received: August 27, 2012 2:19 PM

Hi folks, A little research today uncovered the claim filed by Charles Schwab with respect to the LIBOR scandal. You'll note, sadly, that it's unprintable (the PDF file, not the language therein). Still, it's worth sitting at your computer to read. The assertions of fact are very interesting (put together by people with real knowledge of the markets) and suggest that establishment of a necessary pattern is farther along than I had expected. Interestingly, it suggests that the magnitude of the suppression might be in the neighborhood of 30-40 bp through 2008-2009. The Federal law violations it claims include those of the Sherman Act [redacted]), the 1933 Act, the 1940 Act, 10b-5 and RICO. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1

Charles Schwab LIBOR suit.pdf

Original view

40 pages (displayed on pages 3 to 42)

Richard M. Heimann (State Bar No. 063607)
Joseph R. Saveri (State Bar No. 130064)
Eric B. Fastiff (State Bar No. 182260)
Brendan Glackin (State Bar No. 199643)
LIEFF, CABRASER, HEIMANN & BERNSTEIN, LLP
275 Battery Street, 29th Floor
San Francisco, CA 94111-3339
Telephone: (415) 956-1000
Facsimile: (415) 956-1008

Steven E. Fineman (State Bar No. 140335)
Michael J. Miarmi
LIEFF, CABRASER, HEIMANN & BERNSTEIN, LLP
250 Hudson Street, 8th Floor
New York, NY 10013-1413
Telephone: (212) 355-9500
Facsimile: (212) 355-9592

Lowell Haky (State Bar No. 178526)
Vice President and Associate General Counsel
Charles Schwab & Co., Inc.
211 Main Street
San Francisco, CA 94105
Telephone: (415) 667-0622
Facsimile: (415) 667-1638

Attorneys for Plaintiffs

AUG

EDL

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

CHARLES SCHWAB BANK, N.A.; CHARLES SCHWAB & CO., INC.; and THE CHARLES SCHWAB CORPORATION, Plaintiffs, v. BANK OF AMERICA CORPORATION; BANK OF AMERICA, N.A.; CREDIT SUISSE GROUP AG; J.P.MORGAN CHASE & CO.; HSBC HOLDINGS PLC; BARCLAYS BANK PLC; LLOYDS BANKING GROUP PLC; WESTLB AG; UBS AG; ROYAL BANK OF SCOTLAND GROUP PLC; DEUTSCHE BANK AG; CITIGROUP, INC.;	Case No. CV 11 4187 **COMPLAINT** **JURY TRIAL DEMANDED**

CITIBANK, N.A.; DEUTSCHE BANK SECURITIES; BANC OF AMERICA SECURITIES, LLC; CREDIT SUISSE SECURITIES (USA) LLC.; UBS FINANCIAL SERVICES INC.; J.P. MORGAN SECURITIES INC.; CITIGROUP GLOBAL MARKETS INC.; CITIGROUP FUNDING, INC.; RBS SECURITIES INC. (F/K/A GREENWICH CAPITAL MARKETS, INC.); BANK OF SCOTLAND PLC; CREDIT SUISSE HOLDINGS (USA) INC; CHASE BANK USA; JPMORGAN CHASE BANK NA; JP MORGAN SECURITIES LLC; HSBC BANK USA; HSBC FINANCE CORPORATION; HSBC SECURITIES (USA) INC; BARCLAYS US FUNDING CORP; LLOYDS TSB BANK PLC; UBS FINANCE (DELAWARE) INC; UBS FINANCIAL SERVICES INC; UBS SECURITIES LLC; DEUTSCHE BANK FINANCIAL LLC; CITIZENS BANK, NA; CITIZENS BANK OF MASSACHUSETTS; CITIZENS BANK OF PENNSYLVANIA; and RBS CITIZENS, NA,

Defendants.

Plaintiffs Charles Schwab Bank, N.A., Charles Schwab & Co., Inc., and The Charles Schwab Corporation ("Plaintiffs"), by their counsel, allege as follows:

NATURE OF THE ACTION

1. This case arises from ongoing manipulation of the London Interbank Offered Rate ("LIBOR") by a cadre of prominent financial institutions. Beginning in 2007 and continuing approximately until the announcement of government investigations and subpoenas in March 2011 (the "Relevant Period"), Defendants (identified below) purported to report to the British Bankers' Association ("BBA") the actual interest rates they paid on funds they borrowed from other financial institutions—i.e., their true "costs of borrowing"—on a daily basis. The BBA then relied on the false information Defendants provided to set LIBOR, a benchmark set of interest

rates used to price trillions of dollars' worth of financial instruments worldwide. By acting together and in concert to knowingly understate to the BBA their true costs of borrowing, Defendants caused LIBOR to be set artificially low.

2. Defendants perpetrated their fraudulent scheme and conspiracy to artificially depress LIBOR as a means to pay lower interest rates on interest-bearing financial instruments and securities paying returns based on, tied to, benchmarked or indexed to LIBOR (collectively, "LIBOR-based instruments and securities") that Defendants sold to investors, including Plaintiffs. Specifically, Defendants misrepresented, in connection with numerous offerings of LIBOR-based instruments and securities during the Relevant Period, that the interest rates investors would receive on the subject LIBOR-based instruments and securities were based on LIBOR, when in fact Defendants were actively working together to ensure LIBOR was set at artificially low rates. Thus surreptitiously bilking investors of their rightful rates of return on their investments, Defendants reaped hundreds of millions, if not billions, of dollars in ill-gotten gains. Defendants—in the debt securities context, the borrowers—have been cheating investors—the lenders—out of interest payments for years. Moreover, by understating their true costs of borrowing, Defendants provided a false or misleading impression of their financial strength to investors.

3. Defendants' manipulation similarly depressed returns on securities they sold and issued that paid a fixed rate of return, such as fixed-rate notes. As Defendants know, market participants use LIBOR as the starting point for negotiating rates of return on short-term fixed-rate instruments, such as fixed-rate notes maturing in a year or less. Defendants borrowed money from Plaintiffs by issuing short-term paper at a rate set as a spread above LIBOR. By depressing LIBOR, Defendants paid lower interest rates on short-term paper Plaintiffs purchased from them. Additionally, by depressing LIBOR, Defendants depressed the rates of return Plaintiffs earned on short-term paper they purchased from other entities who based those rates on LIBOR.

4. While Defendants successfully perpetrated their unlawful scheme for years (amid isolated expressions of concern by some market participants), a series of recently initiated government investigations within the United States and abroad has begun to shed light on

Defendants' malfeasance. Among other things, UBS recently disclosed that it received a grant of conditional leniency from the United States Department of Justice ("DOJ") under the Antitrust Criminal Penalties Enhancement and Reform Act and the DOJ's Corporate Leniency Policy in exchange for cooperating with the DOJ's investigation into LIBOR manipulation. Under that policy, the DOJ only grants leniency to corporations that report *actual illegal activity*. Other Defendants likewise are targets of government investigations concerning the misconduct alleged in this Complaint.

5. During the Relevant Period, Plaintiffs acquired tens of billions of dollars' worth of LIBOR-based instruments and securities from Defendants and other issuers, which paid artificially low returns to Plaintiffs based on Defendants' manipulation of LIBOR.

6. Plaintiffs now seek relief for the damages they have suffered as a result of Defendants' violations of federal and state law. Plaintiffs assert claims under the Sherman Act, 15 U.S.C. §§ 1 *et seq.*; the Clayton Act, 15 U.S.C. §§ 12 *et seq.*; the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77k; the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the United States Securities and Exchange Commission ("SEC"), 17 C.F.R. § 240.10b-5; the federal Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. §§ 1961 *et seq.*; and the statutory and common law of California. Plaintiffs' allegations are based on personal knowledge with respect to their own conduct and on information and belief as to other allegations based on facts obtained during the course of their attorneys' investigation.

JURISDICTION AND VENUE

7. This Court has jurisdiction over the subject matter of this action under Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 & 26(a); Section 27 of the Exchange Act, 15 U.S.C. § 78aa; Section 22 of the Securities Act, 15 U.S.C. § 77v; and 28 U.S.C. §§ 1331 and 1337. The Court may exercise supplemental jurisdiction, in accordance with 28 U.S.C. § 1367, over Plaintiffs' state-law claims.

8. This Court has personal jurisdiction over all of the Defendants by virtue of their business activities in this jurisdiction.

9. Venue is proper in the Northern District of California under Section 27 of the Exchange Act, 15 U.S.C. § 78aa; Section 22 of the Securities Act, 15 U.S.C. § 77v; Section 1965 of RICO, 18 U.S.C. § 1965; and 28 U.S.C. § 1391(b), (c) and (d). Each Defendant transacted business in this District and a substantial part of the events or omissions giving rise to Plaintiffs' claims occurred in this District. Defendants' unlawful conduct manipulated the prices of LIBOR-based instruments and securities traded in this District.

THE PARTIES

PLAINTIFFS

10. Plaintiff The Charles Schwab Corporation is a corporation organized under the laws of Delaware, with its principal place of business in San Francisco, California.

11. Plaintiff Charles Schwab Bank, N.A. is a national banking association organized under the laws of Arizona and headquartered in Reno, Nevada. Charles Schwab Bank, N.A., is a wholly-owned subsidiary of The Charles Schwab Corporation.

12. Plaintiff Charles Schwab & Co., Inc. is a California Corporation and a wholly-owned subsidiary of The Charles Schwab Corporation. Charles Schwab & Co., Inc., through its division Charles Schwab Treasury manages the investments of Charles Schwab Bank, N.A. Charles Schwab Treasury is the entity to which Defendants directed their solicitations to purchase all LIBOR-based instruments and securities referred to in this Complaint. Charles Schwab Treasury received those solicitations and executed the purchase of all LIBOR-based instruments and securities referred to in this Complaint.

DEFENDANTS

A. LIBOR Panel Members

13. Defendant Bank of America Corporation is a Delaware corporation headquartered in Charlotte, North Carolina.

14. Defendant Bank of America, N.A., is a national banking association incorporated in North Carolina and with its principal place of business in Charlotte, North Carolina. It is a wholly-owned subsidiary of NB Holdings Corporation, which in turn is wholly-owned by Defendant Bank of America Corporation. Defendants Bank of America, N.A. and Bank of

America Corporation are collectively referred to as "Bank of America."

15. Defendant Credit Suisse Group AG is a Swiss company headquartered in Zurich, Switzerland.

16. Defendant J.P. Morgan Chase & Co. is a Delaware financial holding company headquartered in New York, New York.

17. Defendant HSBC Holdings plc is a British public limited company headquartered in London, England.

18. Defendant Barclays Bank plc is a British public limited company headquartered in London, England.

19. Defendant Lloyds Banking Group plc is a British public limited company headquartered in London, England. Lloyds was formed in 2009 through the acquisition of HBOS plc by Lloyds TSB Bank plc.

20. Defendant WestLB AG ("WestLB") is a German joint stock company headquartered in Dusseldorf, Germany.

21. Defendant UBS AG is a Swiss company based in Basel and Zurich, Switzerland.

22. Defendant Royal Bank of Scotland Group plc is a British public limited company headquartered in Edinburgh, Scotland.

23. Defendant Deutsche Bank, AG is a German financial services company headquartered in Frankfurt, Germany.

24. Defendant Citibank, N.A. is a wholly-owned subsidiary of Defendant Citigroup, Inc., a United States financial services corporation headquartered in New York, New York. Defendants Citibank, N.A., and Citigroup, Inc., are collectively referred to as "Citibank."

25. During the Relevant Period, each of the Defendants listed in paragraphs 13-24 was a member of the BBA's U.S. Dollar LIBOR panel. These Defendants are referred to collectively as the "LIBOR Panel Defendants."

B. Affiliated Securities Dealers

26. Defendant Deutsche Bank Securities is a broker-dealer organized under Delaware law and doing business in New York, New York. It is a wholly-owned subsidiary of Defendant Deutsche Bank AG.

27. Defendant Banc of America Securities, LLC is a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant Bank of America Corporation.

28. Defendant Barclays Capital Inc. is a corporation organized under Connecticut law and doing business in New York, New York. It is a division of Defendant Barclays plc.

29. Defendant Credit Suisse Securities (USA) LLC is a corporation organized under Delaware law and doing business in New York, New York.

30. Defendant UBS Financial Services Inc. is a corporation organized under Delaware law doing business in Weehawken, New Jersey.

31. Defendant J.P. Morgan Securities Inc., f/k/a Bear Stearns & Co., is a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant JP Morgan Chase Bank, N.A.

32. Defendant Citigroup Global Markets Inc. is a broker-dealer New York corporation organized under New York law. It is a subsidiary of Defendant Citigroup, Inc.

33. Defendant Citigroup Funding, Inc. is a corporation organized under Delaware law. It is a subsidiary of Defendant Citigroup, Inc.

34. Defendant RBS Securities, Inc., (f/k/a Greenwich Capital Markets, Inc.) is a corporation organized under Delaware law doing business in Connecticut. It is a subsidiary of Defendant Royal Bank of Scotland Group plc.

35. Defendant Bank of Scotland plc is a bank organized under U.K. law, based in Edinburgh. It is a subsidiary of Defendant Lloyds Banking Group plc.

36. Defendant Credit Suisse Holdings (USA) Inc is a corporation organized under Delaware law and doing business in New York, New York. It is a subsidiary of Defendant Credit Suisse Group AG.

37. Defendant Chase Bank USA, N.A. is a national banking association incorporated

in Delaware, with its principal place of business in Newark, Delaware, and is a wholly-owned subsidiary of Defendant JPMorgan Chase & Co.

38. Defendant JPMorgan Chase Bank NA s a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant JPMorgan Chase & Co.

39. Defendant JP Morgan Securities LLC is a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant JPMorgan Chase & Co.

40. Defendant HSBC Bank USA, N.A. is the principal subsidiary of HSBC USA Inc., an indirect, wholly-owned subsidiary of HSBC North America Holdings Inc.

41. Defendant HSBC Finance Corporation is a subsidiary of HSBC North America Holdings Inc., owned by HSBC Holdings plc, the parent company of the HSBC Group. HSBC Finance Corporation is headquartered in London, England.

42. Defendant HSBC Securities (USA) Inc is a corporation organized under the laws of Delaware, with its principal place of business in New York, New York, and is a subsidiary of HSBC North America Holdings, Inc.

43. Barclays US Funding LLC, formerly known as Barclays U.S. Funding Corporation, is a corporation organized under Delaware law and doing business in New York, New York.

44. Defendant Lloyds TSB Bank PLC is a British public limited company headquartered in London, England. It is a subsidiary of Defendant Lloyds Banking Group plc.

45. Defendant UBS Finance (Delaware) Inc. is a corporation organized under Delaware law doing business in New York, New York. It is a wholly-owned subsidiary of Defendant UBS AG.

46. Defendant UBS Securities LLC (f/k/a USB Warburg LLC) is a corporation organized under Delaware law doing business in Connecticut. It is a wholly-owned subsidiary of Defendant UBS AG.

47. Defendant Deutsche Bank Financial LLC is a limited liability company organized under Delaware law. It is a subsidiary of Defendant Deutsche Bank, AG.

48. Defendant Citizens Bank, NA is a national banking association organized under

Rhode Island Law doing business in Rhode Island. It is a subsidiary of Citizens Financial Group, Inc., a wholly-owned subsidiary of Defendant Royal Bank of Scotland Group plc.

49. Defendant Citizens Bank of Massachusetts was merged into and subsequently operated as part of RBS Citizens, National Association in Providence, Rhode Island.

50. Defendant Citizens Bank of Pennsylvania is a national banking association organized under the laws of Pennsylvania and headquartered in Philadelphia, Pennsylvania. It is a subsidiary of Citizens Financial Group, Inc. a wholly-owned subsidiary of Defendant Royal Bank of Scotland Group plc.

51. Defendant RBS Citizens, NA, formerly known as Citizens Bank of Massachusetts, is a national banking association organized under the laws of Maryland and headquartered in Providence, Rhode Island.

52. The entities identified in paragraphs 27-52 are referred to collectively as the "Securities Dealer Defendants."

53. Each of the Securities Dealer Defendants joined and furthered the conspiracy by selling LIBOR-based instruments and securities at elevated prices and that paid depressed rates of interest as a result of the misconduct alleged herein, to the direct benefit of their corporate parents that manipulated LIBOR.

54. The LIBOR Panel Defendants agreed to manipulate LIBOR on behalf of, and reported this manipulation to, their respective corporate families. As a result, the entire corporate family was represented in these meetings and discussions by their agents and were parties to the agreements reached in them. Furthermore, to the extent that subsidiaries or affiliates within the corporate families sold LIBOR-based instruments and securities to buyers such as Plaintiffs, these subsidiaries and affiliates played a significant role in the conspiracy. Thus, all entities within the corporate families that were engaged in the setting of LIBOR or the marketing, sale and distribution of such LIBOR-based instruments and securities were active, knowing participants in the alleged conspiracy.

FACTUAL ALLEGATIONS

A. LIBOR Was The Touchstone Of The Represented Rates Of Return On The LIBOR-Based Instruments And Securities Plaintiffs And Other Investors Purchased During The Relevant Period.

55. LIBOR is a set of reference or benchmark interest rates priced to different ranges of maturity, from overnight to one year. Thomson/Reuters calculates LIBOR each business day on behalf of the BBA, which first began setting LIBOR on January 1, 1986. The BBA establishes LIBOR based on the rates 16 major international banks, including the LIBOR Panel Defendants, reported as their costs of borrowing. The banks inform the BBA of their costs of borrowing funds at different maturity dates (e.g., one month, three months, six months). The BBA discards the upper four and lower four quotes and sets LIBOR by calculating the mean value of the remaining middle eight quotes, known as an "inter-quartile" methodology. The BBA then publishes LIBOR, also reporting the quotes on which it based the LIBOR calculation.

56. LIBOR serves a crucial role in the operation of financial markets. For example, market participants commonly set the interest rate on floating-rate notes as a spread against LIBOR (e.g., "LIBOR + [X] bps"). Market participants also use LIBOR as a basis to determine the correct rate of return on short-term fixed-rate notes. Additionally, the pricing and settlement of Eurodollar futures and options, the most actively traded interest rate futures contracts on the Chicago Mercantile Exchange, are based on the three-month LIBOR. LIBOR thus affects the pricing of trillions of dollars' worth of financial transactions. As alleged below, Plaintiffs purchased tens of billions of dollars worth of LIBOR-based instruments and securities from Defendants and other issuers during the Relevant Period.

B. Defendants Manipulated LIBOR During The Relevant Period.

57. Throughout the Relevant Period Defendants and other members of the U.S. dollar LIBOR panel conspired to suppress LIBOR below levels at which it would have been set had they accurately reported their costs of borrowing. As explained below, Defendants' scheme is evidenced in the aberrant behavior of LIBOR and the rates the LIBOR Panel Defendants reported, which tended to "bunch" near the bottom quartile of the collection of reported rates used to set LIBOR and did not properly correlate with other simultaneous economic measures of

Defendants' costs of borrowing, such as credit default swap ("CDS") insurance premiums and the Eurodollar Bid Rate.

1. <u>Defendants Commenced Their Scheme In 2007 And Perpetuated It Amid Isolated Expressions of Concern By Some Market Participants.</u>

58. In November 2007, a concern arose among some in the U.K. banking community that the members of the U.S. dollar LIBOR panel, including the LIBOR Panel Defendants, might be understating their true costs of borrowing, thus causing LIBOR to be set artificially low. Some U.K. banks raised their concerns at a meeting of the Bank of England that month.

59. In response to those concerns, specifically "anecdotal evidence gathered from conversation with market participants … that the rates quoted and paid by banks on their interbank borrowing tended to vary more than usual (and by more than what appears in the LIBOR panel) during the turbulence," the Bank for International Settlements ("BIS") in Spring 2008 produced a study of the U.S. dollar LIBOR ("USD-LIBOR"). Overnight-indexed swaps ("OIS") are viewed as virtually risk-free, so the positive difference between LIBOR and interest rates on those swaps should reflect the credit risk of the quoting banks. Specifically, the BIS examined two values: (i) the difference, or "spread," between USD-LIBOR and OIS; and (ii) the BIS compared the LIBOR-OIS spread to the cost of CDS insurance on the debt of the BBA panel banks. Absent manipulation, those two values should exhibit a stable relationship, because they both depend on the same thing: the credit risk of the quoting banks.

60. Contrary to that expectation, the BIS found an unusually "loose" relationship between CDS premiums and the LIBOR-OIS spread, beginning in August 2007 and continuing at least into 2008, when the BIS published its findings. During that time, CDS premiums led the LIBOR-OIS spread in an upward trend. In other words, the cost of CDS insurance on the debt of the panel banks increased more swiftly than the difference between LIBOR and interest rates on OIS, when the two values should have behaved similarly.

61. On May 29, 2008, <u>The Wall Street Journal</u> published the results of a study it had commissioned comparing the quotes of LIBOR panel banks with the contemporaneous cost of

buying default insurance (i.e., a CDS) on the banks' debt.[1] The Journal found that beginning in January 2008, "the two measures began to diverge, with reported LIBOR rates failing to reflect rising default-insurance costs." The Journal further found that the widest gaps existed with respect to the LIBOR quotes of Citibank, WestLB, HBOS, JP Morgan and UBS.

62. The Journal also compared the banks' LIBOR quotes to their actual costs of borrowing in the commercial paper market. The Journal reported, for example, that in mid-April 2008, UBS paid 2.85% to borrow dollars for three months; but on April 16, 2008, UBS reported a borrowing cost of 2.73% to the BBA as its LIBOR reference quote.

63. The Journal further reported an uncanny equivalence between the banks' LIBOR quotes: the three-month borrowing rates the banks reported remained within a range of only 0.06 of a percentage point, even though at the time their CDS insurance costs (premiums) varied much more widely, reflecting the market's differing views as to the banks' creditworthiness. The Journal quoted Stanford University professor Darrell Duffie, who described the unity of the banks' LIBOR quotes as "far too similar to be believed." Calculating an alternate borrowing rate incorporating CDS spreads the Journal estimated that underreporting of LIBOR had a $45 billion effect on the market, representing the amount borrowers (the banks) did not pay to lenders (investors in debt securities issued by the banks) that they would otherwise have had to pay.

64. In May 2008, following the Journal's reports, Tim Bond, the head of asset-allocation research at Barclays, admitted "the rates the banks were posting to the BBA became a little divorced from reality" during 2007-2008, adding:

> We had one week in September where our treasurer, who takes his responsibilities pretty seriously, said, "Right, I've had enough of this, I'm going to quote the right rates". All we got for our pains was a series of media articles saying that we were having difficulty financing.[2]

65. In a report published mid-April 2008 entitled "Is LIBOR Broken?", Citibank's Scott Peng, an interest rate analyst, wrote "Libor at times no longer represents the level at which

[1] Mollenkamp & Whitehouse, "Study Casts Doubt on Key Rate --- WSJ Analysis Suggests Banks May Have Reported Flawed Interest Data for LIBOR," The Wall Street Journal, May 29, 2008.
[2] http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/2790833/Libor-credibility-questioned-by-Barclays-strategist.html.

banks extend loans to others." He concluded that LIBOR was suppressed by 30 basis points ("bps").[3] Peng resigned approximately one year later. Reports of his resignation referenced his disclosures about LIBOR. On April 18, 2008, Credit Suisse's William Porter, a credit strategist, estimated an even greater suppression: 40 bps (as reported that day by the Journal).

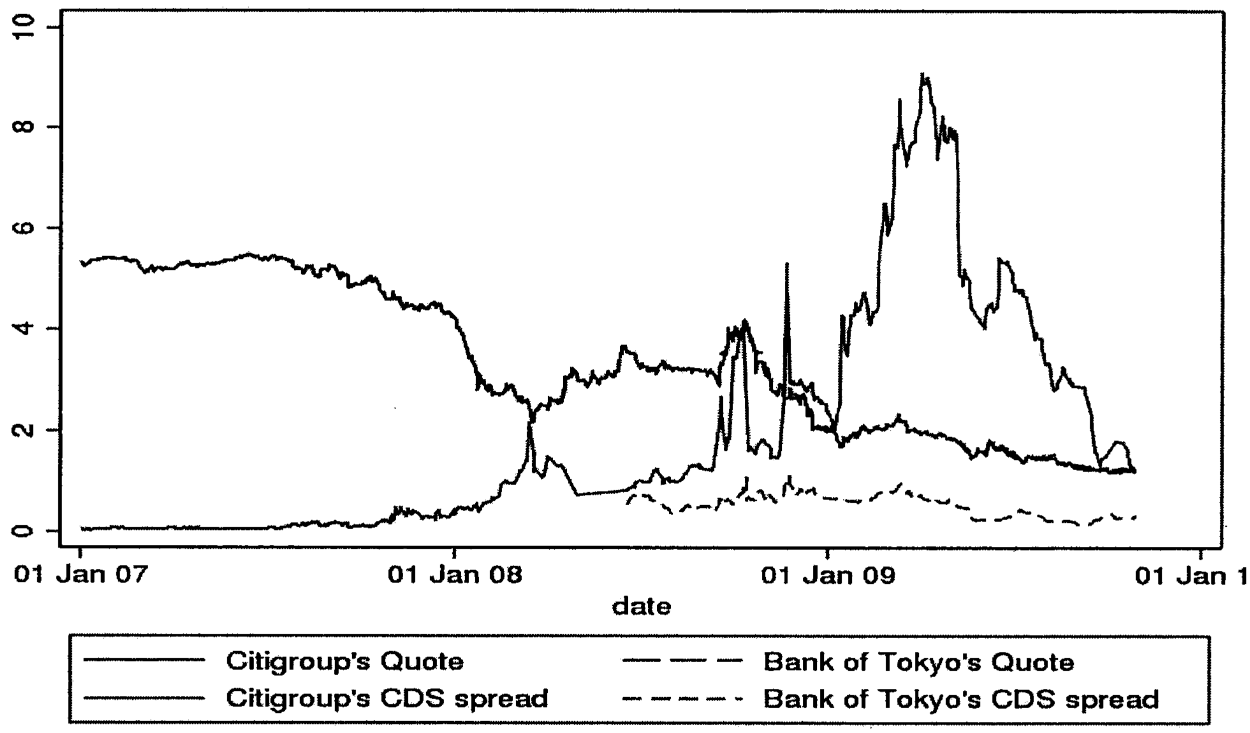
66. On April 3, 2008, the Bank of England money-market committee held a meeting of U.K. banks. The minutes of that meeting state: "U.S. Dollar Libor rates had at times appeared lower than actual traded interbank rates."

67. Right after the Journal's original April 16, 2008 article, the LIBOR panel banks raised their quotes, causing LIBOR to log its biggest increase since August 2007, falsely and misleadingly signaling that any improper reporting of false rates that may have previously occurred had ended.

2. The Discrepancy Between Defendants' Reported LIBOR Quotes And Their CDS Spreads Evinces Defendants' Improper Scheme.

68. Despite the reporting in 2008 described above, the LIBOR Panel Defendants continued to give LIBOR quotes that in fact deviated from their costs of borrowing as reflected in CDS spreads. Citibank, for example, reported rates virtually identical to those of the Bank of Tokyo-Mitsubishi, another U.S. dollar LIBOR panel member, even though the banks had vastly different costs of borrowing, as implied by the respective costs of CDS insurance on their debt.

[3] 100 basis points equal 1%.

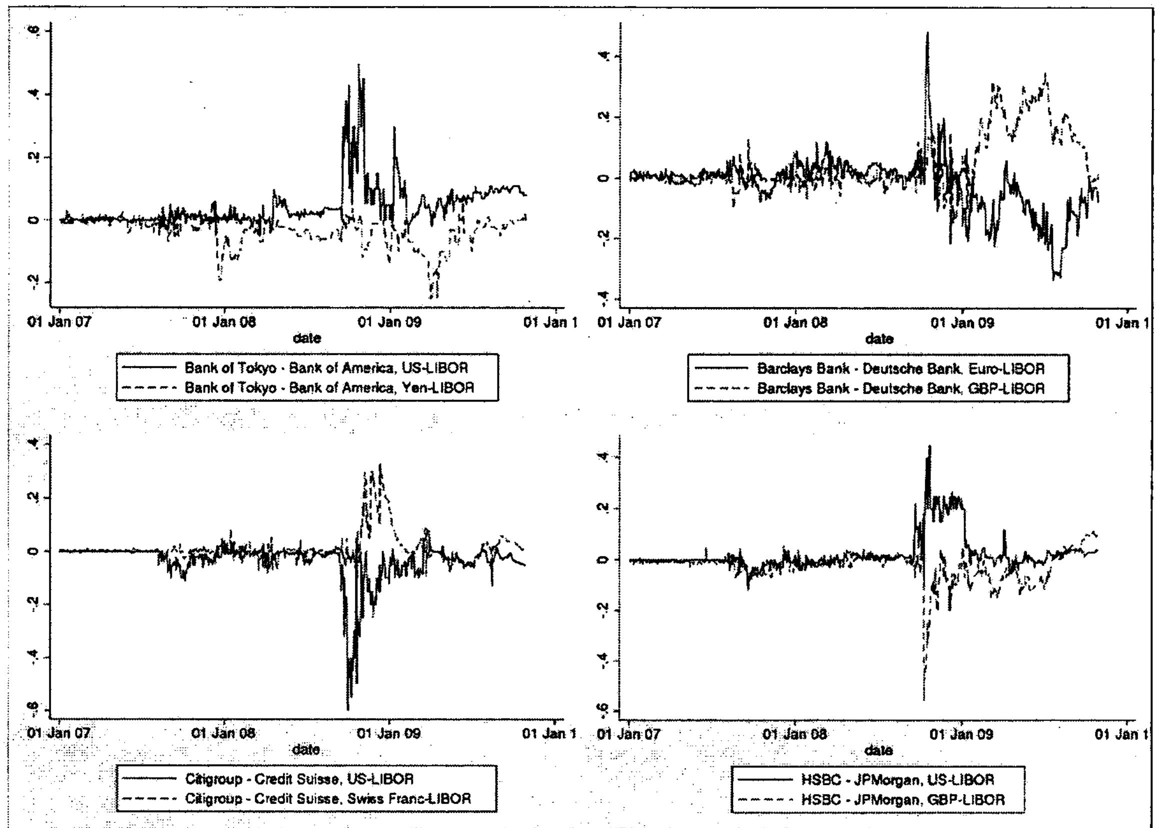


69. Indeed, during much of 2009, Citibank's panel quote was, anomalously, *lower* than the premiums on its CDS, which if true would mean anyone lending to Citibank at interbank rates would, after purchasing CDS insurance, incur a 5% *loss*. That discrepancy contravenes basic rules of economics and finance, thus indicating that Citibank underreported its borrowing costs to the BBA.

3. <u>Deviations Among Banks Participating In The Same Currencies Indicates That Defendants Manipulated LIBOR.</u>

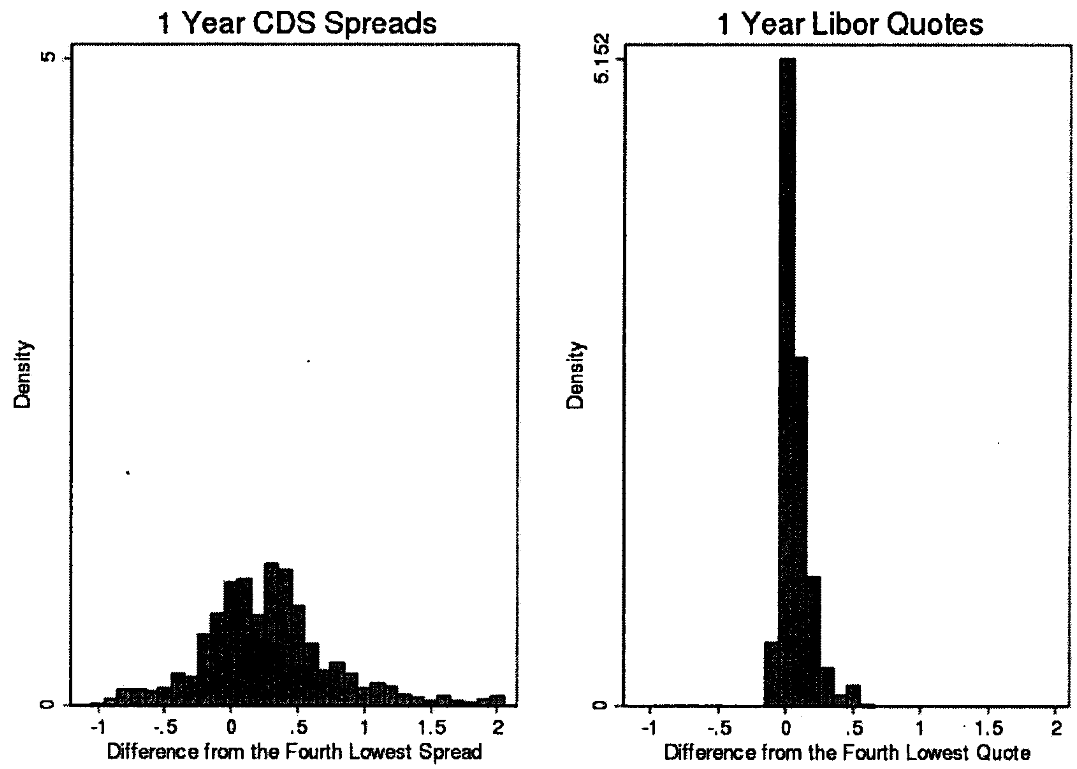
70. The LIBOR Panel Defendants' reported rates also displayed inexplicable ranking anomalies. Specifically, the LIBOR Panel Defendants reported lower rates on USD-LIBOR than did their colleagues on the panel, yet, for other currencies, provided higher rates than did those same other banks. Both Bank of America and Bank of Tokyo, for instance, quoted rates for the USD-LIBOR and Yen-LIBOR during the period under study, yet Bank of America quoted a lower rate than Bank of Tokyo on USD LIBOR and a *higher* rate than Bank of Tokyo on Yen-LIBOR. Other banks suspected of rate manipulation displayed similar anomalies across currencies, as the graphs below demonstrate. Citibank, for example, often reported rates at the top of the Yen-LIBOR scale while simultaneously quoting rates at the bottom of the USD-LIBOR

scale. Those discrepancies make no economic sense: an enormous financial institution like Citibank is not substantially more or less creditworthy for purposes of borrowing yen versus dollars.



4. **Quote-Bunching**

71. The LIBOR Panel Defendants' LIBOR quotes also demonstrate anomalous "bunching" around the fourth-lowest rate submitted by the 16 reference banks to the BBA every day. As the graphs below demonstrate, during the Relevant Period the rates reported by the LIBOR Panel Defendants tended to "bunch" around the fourth-lowest quote much more commonly than the CDS spreads of the banks tended to "bunch" around the fourth-lowest spread. That discrepancy defies common economic reasoning, which indicates that the distribution of rates and CDS spreads should be the same or very similar. The rates reported by Citibank and Bank of America, in particular, often tended to be identical to the fourth-lowest quote.



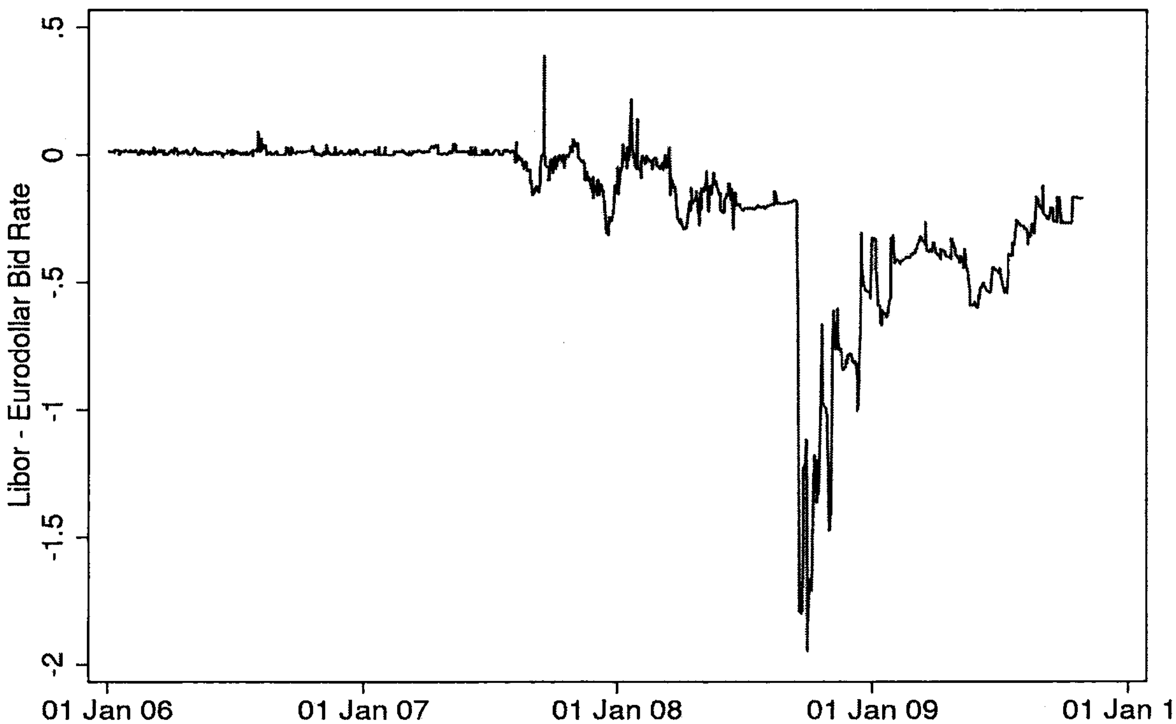
72. Given the method by which the BBA calculates LIBOR—discarding the highest and lowest reported rates and averaging the remainder—that high concentration around the fourth-lowest rate is exactly what would occur if a number of banks sought in concert to depress LIBOR.

5. <u>The Anomalous Eurodollar Bid Rate-LIBOR Spread Beginning After August 2007 Also Reflects Defendants' Scheme.</u>

73. Defendants' conduct also caused LIBOR to break its historic—and economically dictated—relationship with the Eurodollar Bid Rate. "Eurodollars" are time-deposits for dollars located outside the United States. The "Eurodollar Bid Rate" is the rate of interest offered on such deposits. In other words, it is the rate offered to attract dollars, whereas LIBOR is, essentially, the rate asked of a party seeking dollars. Thus, before August 2007, the previous day's Eurodollar Bid Rate was closely aligned with, and was a good predictor of, LIBOR. The Eurodollar Bid Rate had usually tracked 6-12 bps below LIBOR, suggesting something like a bid-ask spread. Thus, if, hypothetically, the Eurodollar Bid Rate were 2.5%, one would expect LIBOR that same day to fall between 2.56% and 2.62%.

74. After August 2007, however, that relationship broke down: the spread inverted, with LIBOR skewing lower than the Eurodollar Bid Rate by substantial amounts through 2009. The Eurodollar Bid Rate no longer predicted LIBOR; the prior-day's LIBOR became a much better predictor. An analysis of the Eurodollar Bid Rate over time implies that LIBOR continued to be understated by as much as 30-40 basis points through 2009.

75. The following shows the breakdown of the relationship between the Eurodollar Bid Rate and LIBOR from 2007 to 2009.



C. **<u>Defendants Possessed Strong Incentives to Manipulate LIBOR.</u>**

76. Defendants each had a substantial financial incentive to manipulate LIBOR because each had billions of dollars in exposures to movements in interest rates. Citibank, Bank of America and JPMorgan, for instance, reported billions of dollars (notional) in interest rate swaps during the period under study; even a small unhedged exposure to interest rates would have had a substantial effect on revenues. Indeed, all three banks reported increased net interest revenues in the first quarter of 2009, when LIBOR fell dramatically. Similarly, in 2009 Citibank reported it would make $936 million in net interest revenue if rates would fall by 25 bps per quarter over the next year and $1.935 billion if they fell 1% instantaneously. JP Morgan also

reported significant exposure to interest rates in 2009: it predicted that if interest rates increased by 1%, it would lose over $500 million. HSBC and Lloyds also predicted they would earn hundreds of millions of additional dollars in 2008-2009 in response to lower interest rates, and lose comparable amounts in response to higher rates. These banks collectively earned billions in net interest revenues during the Relevant Period. Underreporting the banks' costs of borrowing also had the benefit of disguising the true risks to their solvency and liquidity during a time of economic crisis and intense political pressure.

D. Defendants' Misconduct Has Incited Numerous Pending Government Investigations.

77. Numerous regulators, professional organizations, analysts and news agencies recently have begun investigating the LIBOR Panel Defendants' reported LIBOR rates.

78. On March 15, 2011, UBS disclosed that it had received subpoenas from the SEC, the Commodity Futures Trading Commission ("CFTC") and the DOJ seeking information concerning "whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate LIBOR at certain times." UBS reported that the Japanese Financial Supervisory Agency also requested information relating to UBS's LIBOR self-reporting.

79. On March 15, 2011, the *Financial Times* reported that the U.K.'s Financial Services Authority ("FSA") had requested similar information from UBS.

80. The *Financial Times* also reported that Bank of America, Citibank and Barclays had received subpoenas from the FSA and that "[a]ll the [BBA] panel members are believed to have received at least an informal request for information[.]"

81. Lloyds Banking Group, Barclays, and RBS have also disclosed that they are subjects of the FSA's investigation.

82. On July 26, 2011, news sources reported that UBS had disclosed that it had received a grant of conditional leniency from the DOJ in exchange for cooperating with the DOJ's investigation into LIBOR manipulation. UBS has received conditional leniency pursuant to the Antitrust Criminal Penalties Enhancement and Reform Act and the DOJ's Corporate Leniency Policy. Under that policy, the DOJ only grants leniency to corporations that report actual illegal activity.

E. **<u>Plaintiffs Have Suffered Significant Harm As A Result of Defendants' Misconduct.</u>**

83. Throughout the Relevant Period, Defendants' manipulation of LIBOR caused damage to Plaintiffs. All told, Defendants' conduct affected the value of tens of billions of dollars in LIBOR-based instruments and securities Plaintiffs held or purchased. Most of those securities and instruments fell into one of the following categories.

84. <u>Floating-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by Defendants.</u> Throughout the Relevant Period, Plaintiffs bought floating-rate notes from and issued by Defendants. These notes paid a rate of return based on LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes than they would have if LIBOR had been properly set. Plaintiffs relied on the accuracy of LIBOR in undertaking these transactions.

85. <u>Floating-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by entities other than Defendants.</u> Throughout the Relevant Period, Plaintiffs bought floating-rate notes from and issued by entities other than Defendants, e.g. short-term commercial paper. As is well-known to sophisticated market participants like Defendants, these notes are affected by, and pay returns based on, LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes than they would have if LIBOR had been properly set. Plaintiffs relied on the accuracy of LIBOR in undertaking these transactions.

86. <u>Fixed-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by Defendants.</u> Throughout the Relevant Period, Plaintiffs bought fixed-rate notes from and issued by Defendants. These notes paid a fixed rate of return. However, the price of these notes and the fixed rate or return were determined based on LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes and/or pay more for them than they would have if LIBOR had been properly set. Plaintiffs relied on the accuracy of LIBOR in undertaking these transactions.

87. <u>Fixed-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by entities other than Defendants.</u> Throughout the Relevant Period, Plaintiffs bought

fixed-rate notes from and issued by entities other than Defendants. As is well-known to sophisticated market participants like Defendants, these notes are priced off of, and pay returns based on, LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes than they would have if LIBOR had been properly set.

FRAUDULENT CONCEALMENT

88. Plaintiffs had neither actual nor constructive knowledge of the facts supporting their claims for relief despite diligence in trying to discover the pertinent facts. Plaintiffs did not discover, and could not have discovered through the exercise of reasonable diligence, the existence of the conspiracy alleged herein until 2011, when investigations by the DOJ and other antitrust regulators became public. Defendants engaged in a secret conspiracy that did not give rise to facts that would put Plaintiffs on inquiry notice that there was a conspiracy to manipulate LIBOR.

CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

Violation of Section 1 of the Sherman Act, 15 U.S.C. § 1

89. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

90. Defendants entered into and engaged in a conspiracy in unreasonable restraint of trade in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

91. During the Relevant Period, Defendants controlled what LIBOR rate would be reported and therefore controlled prices in the market for securities and contracts paying returns based on LIBOR. Defendants competed in this market.

92. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained or made artificial prices for LIBOR-based instruments and securities. Defendants' conspiracy constitutes a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade.

93. Defendants' conspiracy, and the resulting impact on the market for LIBOR-based instruments and securities, occurred in and affected interstate and international commerce.

94. As a proximate result of Defendants' unlawful conduct, Plaintiffs have suffered injury to their business or property.

95. Plaintiffs are entitled to treble damages for the violations of the Sherman Act alleged herein.

SECOND CLAIM FOR RELIEF

Interference with Economic Advantage (under California Law)

96. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

97. As set forth in this Complaint, Defendants manipulated LIBOR in violation of federal and state law.

98. An economic relationship existed between Plaintiffs and issuers of LIBOR-based instruments and securities, which obligated the issuers to make payments to Plaintiffs at a rate dependent on LIBOR.

99. Defendants' unlawful manipulation of LIBOR interfered with and disrupted that relationship by defeating the parties' expectations that LIBOR would be set honestly and accurately and would provide a fair benchmark for those securities. As a result, Plaintiffs received lower payments on those securities than they otherwise would have, and overpaid for the securities, and were damaged thereby.

100. Defendants acted with the knowledge that interference or disruption of Plaintiffs' relationships with issuers of securities indexed to LIBOR were certain or substantially certain to result from Defendants' unlawful manipulation of LIBOR.

THIRD CLAIM FOR RELIEF

Violation of Section 17200 of the California Business and Professions Code (Unfair Business Practices)

101. Defendants have engaged in fraudulent, unfair and illegal conduct in violation of Section 17200 of the California Business and Professions Code ("Section 17200"). Defendants'

conduct was substantially injurious to Plaintiffs.

102. Defendants' business acts and practices, as alleged herein, constituted—and still constitute—a continuous course of unfair competition by means of unfair, unlawful or fraudulent business acts or practices in violation of Section 17200, including the following:

a. the violations of the antitrust, securities, wire fraud, mail fraud, bank fraud, racketeering and other laws as set forth herein;

b. Defendants' unfair business acts and practices, which induced investors, including Plaintiffs, to purchase and retain the LIBOR-based instruments and securities Defendants or others issued based on falsely-set LIBOR rates, and Defendants' materially false and misleading statements about their costs of borrowing, made with knowledge or reckless disregard that they were materially false or misleading when made.

103. Defendants' business acts and practices, as alleged herein, have caused Plaintiffs to purchase and retain the subject LIBOR-based instruments and securities and, as a result, to suffer losses.

104. Plaintiffs are entitled to full relief, including full restitution or disgorgement of all revenues, earnings, profits, compensation and benefits Defendants may have obtained as a result of such business, acts or practices, and an injunction mandating that Defendants cease and desist from engaging in the practices described herein.

FOURTH CLAIM FOR RELIEF

Fraud, Deceit and Concealment (under Sections 1572, 1709 and 1710 of the California Civil Code)

105. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

106. Plaintiffs purchased LIBOR-based instruments and securities issued by Defendants and other entities. Those included floating-rate notes where Defendants paid interest rates based on LIBOR, and fixed-rate notes where the parties determined the fixed rate of interest by referencing LIBOR.

107. Defendants made numerous statements to Plaintiffs to induce them to purchase those notes and other financial instruments.

108. Contemporaneous with Plaintiffs' purchases, Defendants gave public quotes to the BBA of their supposed costs of borrowing.

109. In fact, Defendants' quotes to the BBA did not reflect their true costs of borrowing but instead reflected Defendants' scheme to unlawfully manipulate LIBOR.

110. Defendants never disclosed to Plaintiffs the inaccuracy of their quotes to the BBA or that Defendants had manipulated LIBOR to cause it to be lower than it should have been, and perpetrated an ongoing conspiracy to do so.

111. The inaccuracy of Defendants' reported quotes and their scheme to manipulate LIBOR were material facts of which Plaintiffs were unaware. If Defendants had disclosed those facts, Plaintiffs would not have purchased the subject securities, or at least would have demanded appropriately higher interest rates on those securities. Plaintiffs relied on the accuracy of Defendants' quotes, on the accuracy of LIBOR, and on the other statements by Defendants that did not include these material omissions.

112. Defendants' concealment of the inaccuracy of their reported quotes and their scheme to manipulate LIBOR damaged Plaintiffs because Plaintiffs received lower returns (via lower interest rates) than they would have had LIBOR been accurately and honestly set, or had Plaintiffs purchased securities not paying interest as a function of LIBOR.

FIFTH CLAIM FOR RELIEF

Violation of Section 11 of the Securities Act of 1933, 15 U.S.C. § 77k

113. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

114. For purposes of this claim, Plaintiffs expressly disclaim and exclude any allegations that could be construed as alleging fraud or intentional or reckless misconduct, as this cause of action is based expressly on claims of strict liability or negligence under the Securities Act.

115. Plaintiffs bring this claim in connection with all LIBOR-based notes or other

securities Plaintiffs purchased in offerings during the Relevant Period.

116. Each Defendant filed registration statements and other related documents in connection with each of the subject offerings.

117. Those registration statements and other related documents contained materially false statements of fact, or omitted to state facts necessary to make the statements therein not misleading. Specifically, the documents omitted to state that Defendants, as set forth above, had manipulated LIBOR in a downward direction by providing inaccurate quotes to the BBA and that Defendants perpetuated an ongoing scheme to continue their manipulation. Moreover, representations in the subject registration statements and related documents that the interest rates for the subject securities would be based on LIBOR were false or misleading as a result of Defendants' manipulation of LIBOR. Thus references to "LIBOR" in those documents constitute affirmative misstatements.

118. None of the Defendants made a reasonable investigation or possessed reasonable grounds to believe that the statements contained in the registration statements were true or that there was no omission of material facts necessary to make the statements made therein not misleading.

119. By reason of the conduct herein alleged, each Defendant violated Section 11 of the Securities Act.

120. As a direct and proximate result of Defendants' acts and omissions in violation of the Securities Act, the prices or values of the notes and other securities sold in the subject offerings were artificially inflated, and Plaintiffs suffered substantial damage in connection with their ownership of those securities.

121. As issuers of the subject securities, each Defendant is strictly liable to Plaintiffs for the material omissions identified above.

122. Plaintiffs obtained the subject securities without knowledge of the facts concerning the misstatements or omissions alleged herein.

123. This action is brought within one year after discovery of the untrue statements and omissions should have been made through the exercise of reasonable diligence, and within three

years of the effective date of the subject registration statements.

124. Plaintiffs are entitled to damages under Section 11 from each Defendant, as measured by the provisions of Section 11(e).

SIXTH CLAIM FOR RELIEF

Violation of Section 12(a)(2) of the Securities Act of 1933

125. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

126. For purposes of this claim, Plaintiffs expressly disclaim and exclude any allegations that could be construed as alleging fraud or intentional or reckless misconduct, as this cause of action is based expressly on claims of strict liability or negligence under the Securities Act.

127. Defendants were sellers, offerors, underwriters or solicitors of sales of securities issued by Defendants to Plaintiffs through prospectuses or oral communications during the Relevant Period.

128. The prospectuses or oral communications contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and concealed and failed to disclose material facts. Defendants' actions of solicitation included participating in the preparation of the false and misleading prospectuses or oral communications.

129. Defendants owed to the purchasers of the subject securities, including Plaintiffs, the duty to make a reasonable and diligent investigation of the statements contained in the prospectuses or oral communications, to insure that such statements were true and that there was not omission to state a material fact required to be stated in order to make the statements contained therein not misleading. Defendants knew of, or in the exercise of reasonable care should have known of, the misstatements and omissions contained in the prospectuses or oral communications, as set forth above.

130. Plaintiffs purchased or otherwise acquired securities pursuant to or traceable to the defective prospectuses or oral communications. Plaintiffs did not know, nor in the exercise of

reasonable diligence could have known, of the untruths and omissions.

131. Plaintiffs hereby offer to tender to Defendants those securities Plaintiffs continue to own, in return for the considerations paid for those securities, together with interest thereon.

132. By reason of the conduct alleged herein, Defendants violated, or controlled a person who violated, Section 12(a)(2) of the Securities Act. Accordingly, Plaintiffs have the right to rescind and recover the consideration paid for the subject securities and hereby elect to rescind and tender those securities to Defendants. Plaintiffs are entitled to rescissionary damages with respect to those subject securities they have sold.

133. Less than three years have elapsed from the time that the securities upon which this count is brought were sold to the public to the time of the filing of this action. Less than one year has elapsed from the time when Plaintiffs discovered or reasonably could have discovered the facts upon which this count is based to the time of the filing of this action.

SEVENTH CLAIM FOR RELIEF

Violation of Section 15 of the Securities Act of 1933, 15 U.S.C. § 77o

134. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

135. This cause of action is being brought under Section 15 of the Securities Act, 15 U.S.C. §77o, against the LIBOR Panel Defendants. This Count is based solely on strict liability and negligence, and does not sound in fraud. Any allegations of fraud or fraudulent conduct or motive are specifically excluded. For purposes of asserting this and its other claims under the Securities Act, Plaintiffs do not allege that the LIBOR Panel Defendants acted with intentional, reckless or otherwise fraudulent intent.

136. Each of the LIBOR Panel Defendants, by virtue of its position as a parent company or otherwise controlling entity of one or more of the Securities Dealer Defendants, was a control person of one or more of the Securities Dealer Defendants.

137. As a result, the LIBOR Panel Defendants are liable under Section 15 of the Securities Act for the Securities Dealer Defendants' primary violations of Sections 11 or 12(a)(2)

of the Securities Act.

EIGHTH CLAIM FOR RELIEF

Violation of Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 Thereunder

138. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

139. Beginning in 2007, Defendants carried out a plan, scheme and course of conduct that was intended to and did: (i) deceive the investing public, including Plaintiffs, as alleged herein; and (ii) cause Plaintiffs to purchase securities at artificially inflated prices. In furtherance of their unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

140. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business that operated as a fraud and deceit on the purchasers of the their securities in an effort to cause LIBOR to be set at an artificially low rate, which in turn allowed Defendants to pay lower interest rates on the notes and other securities Plaintiffs acquired from Defendants and other issuers, in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

141. Defendants, directly and indirectly, by the use, means or instrumentalities of interstate commerce or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the manipulation of LIBOR as specified herein.

142. Defendants employed devices, schemes and artifices to defraud while in possession of material adverse non-public information, and engaged in acts, practices and a course of conduct as alleged herein in an effort to secretly manipulate LIBOR, which included the making of, or participation in the making of, untrue statements of material facts and omitting to state material facts necessary to make Defendants' statements during the Relevant Period—including their representations that the rates of the securities Defendants sold to Plaintiffs were based on LIBOR—in the light of the circumstances under which they were made, not misleading,

as set forth more particularly herein. Moreover, Defendants engaged in transactions, practices and a course of business that operated as a fraud and deceit upon the purchasers of the subject securities during the Relevant Period, including Plaintiffs.

143. Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to Defendants. Defendants perpetrated such material misrepresentations or omissions knowingly or recklessly and for the purpose and effect of concealing Defendants' manipulation of LIBOR from the investing public, including Plaintiffs, and allowing Defendants to reap improper gains by failing to pay to Plaintiffs the true (higher) rates on the subject securities.

144. As a result of Defendants' dissemination of materially false and misleading information and their failure to disclose material facts, as set forth above, Defendants caused LIBOR to be artificially low during the Relevant Period. The artificially depressed LIBOR rates caused the interest rates on the subject securities (which were based on the artificially low LIBOR rates) to be correspondingly, and artificially, low, which deprived Plaintiffs of returns they otherwise would have realized on those securities. In ignorance of those facts, and reasonably relying directly or indirectly on Defendants' false and misleading statements, or on the integrity of the market in which the securities traded, or on the absence of material adverse information that Defendants knew or recklessly disregarded but was not disclosed by Defendants during the Relevant Period, Plaintiffs acquired notes and other LIBOR-based securities during the Relevant Period and received lower payments on those securities than they otherwise would have.

145. At the time of said misrepresentations and omissions, Plaintiffs were unaware the misrepresentations and omissions were false or misleading, and believed them to be true. Had Plaintiffs known the truth regarding Defendants' manipulation of LIBOR, which Defendants did not disclose, Plaintiffs would not have purchased or otherwise acquired the subject securities, or at least would have demanded appropriately higher interest rates on those securities.

146. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs suffered damages in connection with their purchases of the subject securities during the Relevant

Period.

147. This action was filed within two years of discovery of the facts constituting the violation and within five years of the violation.

NINTH CLAIM FOR RELIEF

Violation of Section 20(a) of the Securities Exchange Act of 1934

148. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

149. The LIBOR Panel Defendants acted as controlling persons of the Securities Dealer Defendants within the meaning of Section 20(a) of the Exchange Act as alleged herein. Each of the LIBOR Panel Defendants, by virtue of its position as a parent company or otherwise controlling entity of one or more of the Securities Dealer Defendants, was a control person of one or more of the Securities Dealer Defendants, possessing the power and authority to cause one or more of the Securities Dealer Defendants to engage in the wrongful conduct complained of herein. The LIBOR Panel Defendants were provided with or had unlimited access to copies of the statements alleged by Plaintiffs to be misleading prior to and/or shortly after those statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

150. As set forth above, the Securities Dealer Defendants (as well as the LIBOR Panel Defendants) each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By reason of such conduct, the LIBOR Panel Defendants are liable under Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs suffered damages in connection with their purchases of the subject securities during the Relevant Period.

TENTH CLAIM FOR RELIEF

Violation of the Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. §§ 1961 *et seq.*

151. Plaintiffs incorporate by reference and reallege the preceding allegations as though

fully set forth herein.

Defendants Engaged In Conduct Actionable Under RICO.

152. 18 U.S.C. § 1962(c) makes it illegal for "any person employed by or associated with any enterprise engaged in, or the activities of which affect, interstate or foreign commerce, to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity or collection of unlawful debt."

153. 18 U.S.C. § 1962(d), in turn, makes it "unlawful for any person to conspire to violate any of the provisions of subsection (a), (b), or (c) of this section."

154. Under 18 U.S.C. § 1961(1), and as applicable to Section 1962, "racketeering activity" means (among other things) acts indictable under certain sections of Title 18, including 18 U.S.C. § 1341 (relating to mail fraud), 18 U.S.C. § 1343 (relating to wire fraud), and 18 U.S.C. § 1344 (relating to financial institution fraud).

155. 18 U.S.C. § 1961(5) provides that, to constitute a "pattern of racketeering activity," conduct "requires at least two acts of racketeering activity, one of which occurred after the effective date of this chapter and the last of which occurred within ten years (excluding any period of imprisonment) after the commission of a prior act of racketeering activity."

156. 18 U.S.C. § 1961(3) defines "person" as "any individual or entity capable of holding a legal or beneficial interest in property," and 18 U.S.C. § 1961(4) defines "enterprise" as "any individual, partnership, corporation, association, or other legal entity, and any union or group of individuals associated in fact although not a legal entity."

157. 18 U.S.C. § 1341, the mail fraud statute invoked by 18 U.S.C. § 1961(1) as a predicate act, makes it unlawful to have "devised or intend[ed] to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, or to sell, dispose of, loan, exchange, alter, give away, distribute, supply, or furnish or procure for unlawful use any counterfeit or spurious coin, obligation, security, or other article, or anything represented to be or intimated or held out to be such counterfeit or spurious article, for the purpose of executing such scheme or artifice or attempting so to do, places in any post office or authorized depository for mail matter, any matter or thing

whatever to be sent or delivered by the Postal Service, or deposits or causes to be deposited any matter or thing whatever to be sent or delivered by any private or commercial interstate carrier, or takes or receives therefrom, any such matter or thing, or knowingly causes to be delivered by mail or such carrier according to the direction thereon, or at the place at which it is directed to be delivered by the person to whom it is addressed, any such matter or thing, shall be fined under this title or imprisoned not more than 20 years, or both. If the violation affects a financial institution, such person shall be fined not more than $1,000,000 or imprisoned not more than 30 years, or both."

158. 18 U.S.C. § 1343, the wire fraud statute invoked by 18 U.S.C. § 1961(1) as a predicate act, provides that "[w]hoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, transmits or causes to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, shall be fined under this title or imprisoned not more than 20 years, or both."

159. 18 U.S.C. § 1344, the federal bank fraud statute invoked by 18 U.S.C. § 1961(1) as a predicate act, states:

> Whoever knowingly executes, or attempts to execute, a scheme or artifice –
>
> 1. to defraud a financial institution, or
>
> 2. to obtain any of the moneys, funds, credits, assets, securities, or other property owned by, or under the custody or control of, a financial institution, by means of false or fraudulent pretenses, representations, or promises shall be fined not more than $1,000,000 or imprisoned for not more than 30 years, or both.

160. At all relevant times, Defendants, including the employees who conducted Defendants' affairs through illegal acts (including by communicating false interest rate quotes to the BBA or directing other employees to do so) were "person[s]" within the meaning of 18 U.S.C. § 1961(4), with a definable corporate structure and a hierarchy of corporate direction and control.

161. At all relevant times, Plaintiffs were "person[s]" within the meaning of 18 U.S.C.

§ 1961(3).

Defendants Formed A RICO Enterprise.

162. Defendants' collective association, including through the LIBOR Panel Defendants' participation together as members of the BBA's U.S. Dollar LIBOR panel, constitutes the RICO enterprise in this case. Every member of the enterprise participated in the process of misrepresenting their costs of borrowing to the BBA. Using those false quotes to cause the BBA to set LIBOR artificially low, thereby allowing Defendants to increase their net interest revenues by making artificially low payments to investors such as Plaintiffs, constitutes the common purpose of the enterprise.

The Enterprise Has Perpetrated A Continuing Practice Of Racketeering.

163. For at least four years before this Complaint was filed, Defendants, in concert, made false statements to the BBA for the purpose and with the effect of manipulating LIBOR to be lower than it otherwise would have been. Defendants did so for the purpose and with the effect of decreasing their payments to investors such as Plaintiffs and increasing their net interest revenues. Defendants earned hundreds of millions, if not billions, of dollars in wrongful profits as a result, which they shared with the employees who perpetrated the scheme. The conduct of every party involved in the scheme is hardly an isolated occurrence that resulted in one fraudulent charge.

164. In perpetrating the fraudulent scheme, each Defendant directly or indirectly through its corporate structure has designed and implemented a uniform scheme to manipulate LIBOR. Defendants' daily making and communicating of quotes to the BBA comprise one common, uniform nearly identical system of procedures used in virtually an identical way every day.

165. For at least the past four years, Defendants have knowingly, intentionally or recklessly engaged in an ongoing pattern of racketeering under 18 U.S.C. § 1962(c) by committing the predicate acts of mail fraud within the meaning of 18 U.S.C. § 1341, wire fraud within the meaning of 18 U.S.C. § 1343, and bank fraud within the meaning of 18 U.S.C. § 1344(2), by knowingly and intentionally implementing the scheme to make false statements

about their costs of borrowing, to manipulate LIBOR, which allowed Defendants to reap unlawful profits.

166. Defendants have committed the predicate act of mail fraud under 18 U.S.C. § 1341, thus triggering Section 1962(c) liability, by devising or intending to "devise a scheme or artifice to defraud" purchasers and holders of notes and other securities, and "for the purpose of executing such scheme or artifice or attempting so to do," placed or knowingly caused to be placed in a post office or authorized depository for mail matter, documents or packages to be sent or delivered by the Postal Service or a private or commercial interstate carrier, or received from those entities such documents or packages, including: (i) documents offering for sale notes and other securities and (ii) correspondence regarding offerings of notes and other securities (the conduct described in this paragraph is referred to as the "Mail Fraud").

167. On information and belief, the Mail Fraud is the result of Defendants "having devised or intended to devise a scheme or artifice to defraud" holders of notes and other securities, for the purpose of obtaining money from those holders of notes and other securities through "false or fraudulent pretenses, representations, or promises."

168. By devising the scheme or artifice to defraud consumers as described herein, and for obtaining money from holders of notes and other securities through "false or fraudulent pretenses, representations, or promises" about LIBOR-based notes and other securities, Defendants transmitted or caused to be transmitted by means of "wire communication in interstate or foreign commerce, . . . writings, signs, signals, [and] pictures," "for the purpose of executing such scheme or artifice," including by: (i) transmitting documents offering notes and other securities for sale; (ii) transmitting phony statements about their costs of borrowing; (iii) transmitting e-mail communications relating to the process of determining, making or transmitting phony statements about their borrowing costs; (iv) collecting funds from Plaintiffs via electronic fund transfers or electronic communication with Plaintiffs' bank or credit card institution; or (v) transmitting payments to Plaintiffs.

169. In addition to that conduct, Plaintiffs are informed and believe Defendants used the mails and wires in conjunction with reaching their agreement to make false statements about their

costs of borrowing, to manipulate LIBOR.

170. Plaintiffs do not base their RICO claims on any conduct that would have been actionable as fraud in the purchase or sale of securities.

The Racketeering Scheme Affected Interstate Commerce.

171. Through the racketeering scheme described above, Defendants used the enterprise to improperly increase their profits to the detriment of holders of notes and other securities, who resided in different states.

172. Plaintiffs' allegations satisfy RICO's "interstate commerce" element because the racketeering claims alleged herein arise out of, and are based on, Defendants' use of the Internet or the mails across state lines as well as agreements between entities in different states to manipulate LIBOR. Using those interstate channels to coordinate the scheme and transmit fraudulent statements to Plaintiffs across state lines satisfies RICO's requirement of an effect on interstate commerce.

Defendants Conspired To Violate RICO.

173. Apart from constructing and carrying out the racketeering scheme detailed above, Defendants conspired to violate RICO, constituting a separate violation of RICO under 18 U.S.C. § 1962(d).

174. The fraudulent scheme, as set forth above, alleges a violation of RICO in and of itself.

175. Defendants organized and implemented the scheme, and ensured it continued uninterrupted by concealing their manipulation of LIBOR from investors, including Plaintiffs.

176. Defendants knew the scheme would defraud purchasers and holders of notes and other securities of millions of dollars of interest, yet each Defendant remained a participant despite the fraudulent nature of the enterprise. At any point while the scheme has been in place, any of the participants could have ended the scheme by abandoning the conspiracy and notifying the public and law enforcement authorities of its existence. Rather than stopping the scheme, however, the members of the enterprise deliberately chose to continue it, to the direct detriment of investors such as Plaintiffs.

Plaintiffs Suffered Injury Resulting From The Pattern of Racketeering Activity.

177. Because Plaintiffs unknowingly paid money to Defendants for notes and other securities that paid interest at a manipulated rate, and in fact collected less interest than they would have absent the conspiracy, Plaintiffs are direct victims of Defendants' wrongful and unlawful conduct. Plaintiffs' injuries were direct, proximate, foreseeable and natural consequences of Defendants' conspiracy; indeed, those effects were precisely why the scheme was concocted. In making payments to Defendants, Plaintiffs gave money in the custody or control of financial institutions. There are no independent factors that account for Plaintiffs' economic injuries, and the loss of money satisfies RICO's injury requirement.

178. The pattern of racketeering activity, as described in this Complaint, is continuous, ongoing and will continue unless Defendants are enjoined from continuing their racketeering practices. Defendants have consistently demonstrated their unwillingness to discontinue the illegal practices described herein, and they continue their pattern of racketeering as of the filing of this Complaint.

179. Plaintiffs are entitled to recover treble damages for the injuries they have sustained, according to proof, as well as restitution and costs of suit and reasonable attorneys' fees in accordance with 18 U.S.C. § 1964(c).

180. As a direct and proximate result of the subject racketeering activities, Plaintiffs are entitled to an order, in accordance with 18 U.S.C. § 1964(a), enjoining and prohibiting Defendants from further engaging in their unlawful conduct.

ELEVENTH CLAIM FOR RELIEF

Violation of Sections 25400 and 25401 of the California Corporations Code

181. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

182. Defendants, and each of them, acting individually and through a scheme and conspiracy, directly and indirectly, induced Plaintiffs' purchase and retention of the subject LIBOR-based instruments and securities by circulating or disseminating, in or from California, information for the purpose of inducing Plaintiffs to purchase and hold LIBOR-based instruments

and securities. Defendants omitted to inform Plaintiffs that they were engaged in an ongoing scheme to suppress LIBOR that would cause any holder of the subject LIBOR-based instruments and securities to receive lower payments than it otherwise would. Defendants knew their statements were false or misleading in light of the circumstances under which they were made. Defendants intended that Plaintiffs would be misled and would purchase LIBOR-based instruments and securities based on false information. Despite their knowledge, Defendants continued to make the misrepresentations to induce Plaintiffs to purchase LIBOR-based instruments and securities.

183. Defendants, and each of them, are liable under Sections 25500 and 25501 of the California Corporations Code for willfully participating in acts or transactions in violation of Sections 25400 and 25401 of the Corporations Code or for knowingly providing substantial assistance to violations of Sections 25400 and 25401 in violation of Section 25403. Defendants are therefore liable to Plaintiffs, who purchased LIBOR-based instruments and securities at a price affected by Defendants' acts, for damages sustained as a result of such violations.

184. Under Section 25504 of the California Corporations Code, Defendants, and each of them, are also liable as control persons, officers, principals, employees, broker-dealers or agents who provided material aid to a person in violation of Section 25503.

185. Plaintiffs are entitled to prejudgment interest at the legal rate on their economic damages.

TWELFTH CLAIM FOR RELIEF

Breach of the Implied Covenant of Good Faith (under California Law)

186. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

187. Plaintiffs contracted to purchase from Defendants LIBOR-based instruments and securities.

188. Plaintiffs performed all of their obligations under the applicable contracts.

189. All conditions required for Defendants' performance of those contracts were satisfied.

190. Defendants unfairly interfered with Plaintiffs' right to receive the benefits of the subject contracts by secretly manipulating LIBOR to be lower than it otherwise would have been, as alleged in the foregoing paragraphs of this Complaint.

191. Plaintiffs received less interest and lower returns on the LIBOR-based instruments and securities than they would have absent Defendants' manipulation of LIBOR, and were therefore harmed.

THIRTEENTH CLAIM FOR RELIEF

Unjust Enrichment (under California Law)

192. By means of their unlawful conduct set forth in this Complaint—including misrepresenting their costs of borrowing to the BBA to manipulate LIBOR—Defendants knowingly acted in an unfair, unconscionable and oppressive manner toward Plaintiffs.

193. Through their unlawful conduct, Defendants knowingly received and retained wrongful benefits and funds from Plaintiffs. Defendants thereby actd with conscious disregard for Plaintiffs' rights.

194. As a result of their unlawful conduct, Defendants have realized substantial ill-gotten gains. Defendants have unlawfully manipulated LIBOR at the expense of, and to the detriment of, Plaintiffs, and to Defendants' benefit and enrichment.

195. Plaintiffs' detriment and Defendants' enrichment are traceable to, and resulted directly and proximately from, the conduct challenged in this Complaint.

196. Under the common law doctrine of unjust enrichment, it is inequitable to permit Defendants to retain the benefits they received, and are still receiving, without justification, from their manipulation of LIBOR in an unfair, unconscionable and oppressive manner. Defendants' retention of such funds under circumstances making it inequitable to do so constitutes unjust enrichment.

197. The financial benefits Defendants derived rightfully belong to Plaintiffs. The Court should compel Defendants to disgorge, in a common fund for Plaintiffs' benefit, all unlawful or inequitable proceeds Defendants received. The Court should impose a constructive trust upon all unlawful or inequitable sums Defendants received that are traceable to Plaintiffs.

198. Plaintiffs have no adequate remedy at law.

FOURTEENTH CLAIM FOR RELIEF

Cartwright Act, Cal. Bus. & Prof. Code §§ 16720, et seq.

199. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

200. Defendants entered into and engaged in an unlawful trust in restraint of the trade and commerce described above in violation of California Business and Professions Code section 16720.

201. During the Relevant Period, Defendants controlled what LIBOR rate would be reported and therefore controlled prices in the market for securities and contracts paying returns based on LIBOR. Defendants competed in this market.

202. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained or made artificial prices for LIBOR-based instruments and securities. Defendants' conspiracy constitutes a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade.

203. Defendants' conspiracy, and the resulting impact on the market for LIBOR-based instruments and securities, occurred in and affected interstate and international commerce.

204. As a proximate result of Defendants' unlawful conduct, Plaintiffs have suffered injury to their business or property.

205. Accordingly, Plaintiffs seek three times their damages caused by Defendants' violations of the Cartwright Act, the costs of bringing suit, reasonable attorneys' fees, and a permanent injunction enjoining Defendants' from ever again entering into similar agreements in violation of the Cartwright Act.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for relief as follows:

(A) That the Court enter an order declaring that Defendants' actions as set forth in this

Complaint, and in other respects, violate the law;

(B) That the Court enter judgment awarding Plaintiffs damages against Defendants for all economic, monetary, actual, consequential and compensatory damages Plaintiffs suffered as a result of Defendants' conduct, or rescission, together with pre- and post-judgment interest at the maximum rate allowable by law;

(C) That the Court award Plaintiffs exemplary or punitive damages against Defendants to the extent allowable by law;

(D) That the Court award Plaintiffs damages against Defendants for Defendants' violation of the federal antitrust laws and RICO in an amount to be trebled in accordance with those laws ;

(E) That the Court issue an injunction prohibiting Defendants from continuing the misconduct alleged in this Complaint, including their ongoing manipulation of LIBOR;

(F) That the Court order the disgorgement of the ill-gotten gains Defendants derived from their misconduct

(G) That the Court award Plaintiffs restitution of all amounts they paid to Defendants as consideration for notes and other financial instruments affected by Defendants' misconduct;

(H) That the Court award Plaintiffs their costs of suit, including reasonable attorneys' fees and expenses; and

(I) That the Court award such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiffs respectfully demand a trial by jury of all issues so triable.

Dated: August 23, 2011

LIEFF, CABRASER, HEIMANN & BERNSTEIN, LLP

By: ______________________________

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FW: LIBOR

Item ID:	31697
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted]
Subject:	FW: LIBOR
Sent:	August 27, 2012 2:21 PM
Received:	August 27, 2012 2:21 PM

H[redacted] Back in the office today and happened to come across this bit of interesting reading. You may well know more about the background here than I do. Let me know if you'd like to discuss. I've reached out to FHFA today, and should be back in touch fairly soon to discuss getting you some info. Tim From: Lee, Timothy Sent: Monday, August 27, 2012 2:20 PM To: [redacted] Timothy.Friedman@fhfa.gov; fred.graham@fhfa.gov Cc: [redacted]; Parker, Richard; Stephens, Michael Subject: LIBOR Hi folks, A little research today uncovered the claim filed by Charles Schwab with respect to the LIBOR scandal. You'll note, sadly, that it's unprintable (the PDF file, not the language therein). Still, it's worth sitting at your computer to read. The assertions of fact are very interesting (put together by people with real knowledge of the markets) and suggest that establishment of a necessary pattern is farther along than I had expected. Interestingly, it suggests that the magnitude of the suppression might be in the neighborhood of 30-40 bp through 2008-2009. The Federal law violations it claims include those of the Sherman Act [redacted] the 1933 Act, the 1940 Act, 10b-5 and RICO. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1

Charles Schwab LIBOR suit.pdf

Original view

40 pages (displayed on pages 3 to 42)

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EDL

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

CHARLES SCHWAB BANK, N.A.; CHARLES SCHWAB & CO., INC.; and THE CHARLES SCHWAB CORPORATION,

Plaintiffs,

v.

BANK OF AMERICA CORPORATION; BANK OF AMERICA, N.A.; CREDIT SUISSE GROUP AG; J.P.MORGAN CHASE & CO.; HSBC HOLDINGS PLC; BARCLAYS BANK PLC; LLOYDS BANKING GROUP PLC; WESTLB AG; UBS AG; ROYAL BANK OF SCOTLAND GROUP PLC; DEUTSCHE BANK AG; CITIGROUP, INC.;

Case No. CV 11 4187

COMPLAINT

JURY TRIAL DEMANDED

CITIBANK, N.A.; DEUTSCHE BANK SECURITIES; BANC OF AMERICA SECURITIES, LLC; CREDIT SUISSE SECURITIES (USA) LLC.; UBS FINANCIAL SERVICES INC.; J.P. MORGAN SECURITIES INC.; CITIGROUP GLOBAL MARKETS INC.; CITIGROUP FUNDING, INC.; RBS SECURITIES INC. (F/K/A GREENWICH CAPITAL MARKETS, INC.); BANK OF SCOTLAND PLC; CREDIT SUISSE HOLDINGS (USA) INC; CHASE BANK USA; JPMORGAN CHASE BANK NA; JP MORGAN SECURITIES LLC; HSBC BANK USA; HSBC FINANCE CORPORATION; HSBC SECURITIES (USA) INC; BARCLAYS US FUNDING CORP; LLOYDS TSB BANK PLC; UBS FINANCE (DELAWARE) INC; UBS FINANCIAL SERVICES INC; UBS SECURITIES LLC; DEUTSCHE BANK FINANCIAL LLC; CITIZENS BANK, NA; CITIZENS BANK OF MASSACHUSETTS; CITIZENS BANK OF PENNSYLVANIA; and RBS CITIZENS, NA,

Defendants.

Plaintiffs Charles Schwab Bank, N.A., Charles Schwab & Co., Inc., and The Charles Schwab Corporation ("Plaintiffs"), by their counsel, allege as follows:

NATURE OF THE ACTION

1. This case arises from ongoing manipulation of the London Interbank Offered Rate ("LIBOR") by a cadre of prominent financial institutions. Beginning in 2007 and continuing approximately until the announcement of government investigations and subpoenas in March 2011 (the "Relevant Period"), Defendants (identified below) purported to report to the British Bankers' Association ("BBA") the actual interest rates they paid on funds they borrowed from other financial institutions—i.e., their true "costs of borrowing"—on a daily basis. The BBA then relied on the false information Defendants provided to set LIBOR, a benchmark set of interest

rates used to price trillions of dollars' worth of financial instruments worldwide. By acting together and in concert to knowingly understate to the BBA their true costs of borrowing, Defendants caused LIBOR to be set artificially low.

2. Defendants perpetrated their fraudulent scheme and conspiracy to artificially depress LIBOR as a means to pay lower interest rates on interest-bearing financial instruments and securities paying returns based on, tied to, benchmarked or indexed to LIBOR (collectively, "LIBOR-based instruments and securities") that Defendants sold to investors, including Plaintiffs. Specifically, Defendants misrepresented, in connection with numerous offerings of LIBOR-based instruments and securities during the Relevant Period, that the interest rates investors would receive on the subject LIBOR-based instruments and securities were based on LIBOR, when in fact Defendants were actively working together to ensure LIBOR was set at artificially low rates. Thus surreptitiously bilking investors of their rightful rates of return on their investments, Defendants reaped hundreds of millions, if not billions, of dollars in ill-gotten gains. Defendants—in the debt securities context, the borrowers—have been cheating investors—the lenders—out of interest payments for years. Moreover, by understating their true costs of borrowing, Defendants provided a false or misleading impression of their financial strength to investors.

3. Defendants' manipulation similarly depressed returns on securities they sold and issued that paid a fixed rate of return, such as fixed-rate notes. As Defendants know, market participants use LIBOR as the starting point for negotiating rates of return on short-term fixed-rate instruments, such as fixed-rate notes maturing in a year or less. Defendants borrowed money from Plaintiffs by issuing short-term paper at a rate set as a spread above LIBOR. By depressing LIBOR, Defendants paid lower interest rates on short-term paper Plaintiffs purchased from them. Additionally, by depressing LIBOR, Defendants depressed the rates of return Plaintiffs earned on short-term paper they purchased from other entities who based those rates on LIBOR.

4. While Defendants successfully perpetrated their unlawful scheme for years (amid isolated expressions of concern by some market participants), a series of recently initiated government investigations within the United States and abroad has begun to shed light on

Defendants' malfeasance. Among other things, UBS recently disclosed that it received a grant of conditional leniency from the United States Department of Justice ("DOJ") under the Antitrust Criminal Penalties Enhancement and Reform Act and the DOJ's Corporate Leniency Policy in exchange for cooperating with the DOJ's investigation into LIBOR manipulation. Under that policy, the DOJ only grants leniency to corporations that report *actual illegal activity*. Other Defendants likewise are targets of government investigations concerning the misconduct alleged in this Complaint.

5. During the Relevant Period, Plaintiffs acquired tens of billions of dollars' worth of LIBOR-based instruments and securities from Defendants and other issuers, which paid artificially low returns to Plaintiffs based on Defendants' manipulation of LIBOR.

6. Plaintiffs now seek relief for the damages they have suffered as a result of Defendants' violations of federal and state law. Plaintiffs assert claims under the Sherman Act, 15 U.S.C. §§ 1 *et seq.*; the Clayton Act, 15 U.S.C. §§ 12 *et seq.*; the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77k; the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the United States Securities and Exchange Commission ("SEC"), 17 C.F.R. § 240.10b-5; the federal Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. §§ 1961 *et seq.*; and the statutory and common law of California. Plaintiffs' allegations are based on personal knowledge with respect to their own conduct and on information and belief as to other allegations based on facts obtained during the course of their attorneys' investigation.

JURISDICTION AND VENUE

7. This Court has jurisdiction over the subject matter of this action under Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 & 26(a); Section 27 of the Exchange Act, 15 U.S.C. § 78aa; Section 22 of the Securities Act, 15 U.S.C. § 77v; and 28 U.S.C. §§ 1331 and 1337. The Court may exercise supplemental jurisdiction, in accordance with 28 U.S.C. § 1367, over Plaintiffs' state-law claims.

8. This Court has personal jurisdiction over all of the Defendants by virtue of their business activities in this jurisdiction.

9. Venue is proper in the Northern District of California under Section 27 of the Exchange Act, 15 U.S.C. § 78aa; Section 22 of the Securities Act, 15 U.S.C. § 77v; Section 1965 of RICO, 18 U.S.C. § 1965; and 28 U.S.C. § 1391(b), (c) and (d). Each Defendant transacted business in this District and a substantial part of the events or omissions giving rise to Plaintiffs' claims occurred in this District. Defendants' unlawful conduct manipulated the prices of LIBOR-based instruments and securities traded in this District.

THE PARTIES

PLAINTIFFS

10. Plaintiff The Charles Schwab Corporation is a corporation organized under the laws of Delaware, with its principal place of business in San Francisco, California.

11. Plaintiff Charles Schwab Bank, N.A. is a national banking association organized under the laws of Arizona and headquartered in Reno, Nevada. Charles Schwab Bank, N.A., is a wholly-owned subsidiary of The Charles Schwab Corporation.

12. Plaintiff Charles Schwab & Co., Inc. is a California Corporation and a wholly-owned subsidiary of The Charles Schwab Corporation. Charles Schwab & Co., Inc., through its division Charles Schwab Treasury manages the investments of Charles Schwab Bank, N.A. Charles Schwab Treasury is the entity to which Defendants directed their solicitations to purchase all LIBOR-based instruments and securities referred to in this Complaint. Charles Schwab Treasury received those solicitations and executed the purchase of all LIBOR-based instruments and securities referred to in this Complaint.

DEFENDANTS

A. LIBOR Panel Members

13. Defendant Bank of America Corporation is a Delaware corporation headquartered in Charlotte, North Carolina.

14. Defendant Bank of America, N.A., is a national banking association incorporated in North Carolina and with its principal place of business in Charlotte, North Carolina. It is a wholly-owned subsidiary of NB Holdings Corporation, which in turn is wholly-owned by Defendant Bank of America Corporation. Defendants Bank of America, N.A. and Bank of

America Corporation are collectively referred to as "Bank of America."

15. Defendant Credit Suisse Group AG is a Swiss company headquartered in Zurich, Switzerland.

16. Defendant J.P. Morgan Chase & Co. is a Delaware financial holding company headquartered in New York, New York.

17. Defendant HSBC Holdings plc is a British public limited company headquartered in London, England.

18. Defendant Barclays Bank plc is a British public limited company headquartered in London, England.

19. Defendant Lloyds Banking Group plc is a British public limited company headquartered in London, England. Lloyds was formed in 2009 through the acquisition of HBOS plc by Lloyds TSB Bank plc.

20. Defendant WestLB AG ("WestLB") is a German joint stock company headquartered in Dusseldorf, Germany.

21. Defendant UBS AG is a Swiss company based in Basel and Zurich, Switzerland.

22. Defendant Royal Bank of Scotland Group plc is a British public limited company headquartered in Edinburgh, Scotland.

23. Defendant Deutsche Bank, AG is a German financial services company headquartered in Frankfurt, Germany.

24. Defendant Citibank, N.A. is a wholly-owned subsidiary of Defendant Citigroup, Inc., a United States financial services corporation headquartered in New York, New York. Defendants Citibank, N.A., and Citigroup, Inc., are collectively referred to as "Citibank."

25. During the Relevant Period, each of the Defendants listed in paragraphs 13-24 was a member of the BBA's U.S. Dollar LIBOR panel. These Defendants are referred to collectively as the "LIBOR Panel Defendants."

B. Affiliated Securities Dealers

26. Defendant Deutsche Bank Securities is a broker-dealer organized under Delaware law and doing business in New York, New York. It is a wholly-owned subsidiary of Defendant Deutsche Bank AG.

27. Defendant Banc of America Securities, LLC is a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant Bank of America Corporation.

28. Defendant Barclays Capital Inc. is a corporation organized under Connecticut law and doing business in New York, New York. It is a division of Defendant Barclays plc.

29. Defendant Credit Suisse Securities (USA) LLC is a corporation organized under Delaware law and doing business in New York, New York.

30. Defendant UBS Financial Services Inc. is a corporation organized under Delaware law doing business in Weehawken, New Jersey.

31. Defendant J.P. Morgan Securities Inc., f/k/a Bear Stearns & Co., is a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant JP Morgan Chase Bank, N.A.

32. Defendant Citigroup Global Markets Inc. is a broker-dealer New York corporation organized under New York law. It is a subsidiary of Defendant Citigroup, Inc.

33. Defendant Citigroup Funding, Inc. is a corporation organized under Delaware law. It is a subsidiary of Defendant Citigroup, Inc.

34. Defendant RBS Securities, Inc., (f/k/a Greenwich Capital Markets, Inc.) is a corporation organized under Delaware law doing business in Connecticut. It is a subsidiary of Defendant Royal Bank of Scotland Group plc.

35. Defendant Bank of Scotland plc is a bank organized under U.K. law, based in Edinburgh. It is a subsidiary of Defendant Lloyds Banking Group plc.

36. Defendant Credit Suisse Holdings (USA) Inc is a corporation organized under Delaware law and doing business in New York, New York. It is a subsidiary of Defendant Credit Suisse Group AG.

37. Defendant Chase Bank USA, N.A. is a national banking association incorporated

in Delaware, with its principal place of business in Newark, Delaware, and is a wholly-owned subsidiary of Defendant JPMorgan Chase & Co.

38. Defendant JPMorgan Chase Bank NA s a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant JPMorgan Chase & Co.

39. Defendant JP Morgan Securities LLC is a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant JPMorgan Chase & Co.

40. Defendant HSBC Bank USA, N.A. is the principal subsidiary of HSBC USA Inc., an indirect, wholly-owned subsidiary of HSBC North America Holdings Inc.

41. Defendant HSBC Finance Corporation is a subsidiary of HSBC North America Holdings Inc., owned by HSBC Holdings plc, the parent company of the HSBC Group. HSBC Finance Corporation is headquartered in London, England.

42. Defendant HSBC Securities (USA) Inc is a corporation organized under the laws of Delaware, with its principal place of business in New York, New York, and is a subsidiary of HSBC North America Holdings, Inc.

43. Barclays US Funding LLC, formerly known as Barclays U.S. Funding Corporation, is a corporation organized under Delaware law and doing business in New York, New York.

44. Defendant Lloyds TSB Bank PLC is a British public limited company headquartered in London, England. It is a subsidiary of Defendant Lloyds Banking Group plc.

45. Defendant UBS Finance (Delaware) Inc. is a corporation organized under Delaware law doing business in New York, New York. It is a wholly-owned subsidiary of Defendant UBS AG.

46. Defendant UBS Securities LLC (f/k/a USB Warburg LLC) is a corporation organized under Delaware law doing business in Connecticut. It is a wholly-owned subsidiary of Defendant UBS AG.

47. Defendant Deutsche Bank Financial LLC is a limited liability company organized under Delaware law. It is a subsidiary of Defendant Deutsche Bank, AG.

48. Defendant Citizens Bank, NA is a national banking association organized under

Rhode Island Law doing business in Rhode Island. It is a subsidiary of Citizens Financial Group, Inc., a wholly-owned subsidiary of Defendant Royal Bank of Scotland Group plc.

49. Defendant Citizens Bank of Massachusetts was merged into and subsequently operated as part of RBS Citizens, National Association in Providence, Rhode Island.

50. Defendant Citizens Bank of Pennsylvania is a national banking association organized under the laws of Pennsylvania and headquartered in Philadelphia, Pennsylvania. It is a subsidiary of Citizens Financial Group, Inc. a wholly-owned subsidiary of Defendant Royal Bank of Scotland Group plc.

51. Defendant RBS Citizens, NA, formerly known as Citizens Bank of Massachusetts, is a national banking association organized under the laws of Maryland and headquartered in Providence, Rhode Island.

52. The entities identified in paragraphs 27-52 are referred to collectively as the "Securities Dealer Defendants."

53. Each of the Securities Dealer Defendants joined and furthered the conspiracy by selling LIBOR-based instruments and securities at elevated prices and that paid depressed rates of interest as a result of the misconduct alleged herein, to the direct benefit of their corporate parents that manipulated LIBOR.

54. The LIBOR Panel Defendants agreed to manipulate LIBOR on behalf of, and reported this manipulation to, their respective corporate families. As a result, the entire corporate family was represented in these meetings and discussions by their agents and were parties to the agreements reached in them. Furthermore, to the extent that subsidiaries or affiliates within the corporate families sold LIBOR-based instruments and securities to buyers such as Plaintiffs, these subsidiaries and affiliates played a significant role in the conspiracy. Thus, all entities within the corporate families that were engaged in the setting of LIBOR or the marketing, sale and distribution of such LIBOR-based instruments and securities were active, knowing participants in the alleged conspiracy.

FACTUAL ALLEGATIONS

A. LIBOR Was The Touchstone Of The Represented Rates Of Return On The LIBOR-Based Instruments And Securities Plaintiffs And Other Investors Purchased During The Relevant Period.

55. LIBOR is a set of reference or benchmark interest rates priced to different ranges of maturity, from overnight to one year. Thomson/Reuters calculates LIBOR each business day on behalf of the BBA, which first began setting LIBOR on January 1, 1986. The BBA establishes LIBOR based on the rates 16 major international banks, including the LIBOR Panel Defendants, reported as their costs of borrowing. The banks inform the BBA of their costs of borrowing funds at different maturity dates (e.g., one month, three months, six months). The BBA discards the upper four and lower four quotes and sets LIBOR by calculating the mean value of the remaining middle eight quotes, known as an "inter-quartile" methodology. The BBA then publishes LIBOR, also reporting the quotes on which it based the LIBOR calculation.

56. LIBOR serves a crucial role in the operation of financial markets. For example, market participants commonly set the interest rate on floating-rate notes as a spread against LIBOR (e.g., "LIBOR + [X] bps"). Market participants also use LIBOR as a basis to determine the correct rate of return on short-term fixed-rate notes. Additionally, the pricing and settlement of Eurodollar futures and options, the most actively traded interest rate futures contracts on the Chicago Mercantile Exchange, are based on the three-month LIBOR. LIBOR thus affects the pricing of trillions of dollars' worth of financial transactions. As alleged below, Plaintiffs purchased tens of billions of dollars worth of LIBOR-based instruments and securities from Defendants and other issuers during the Relevant Period.

B. Defendants Manipulated LIBOR During The Relevant Period.

57. Throughout the Relevant Period Defendants and other members of the U.S. dollar LIBOR panel conspired to suppress LIBOR below levels at which it would have been set had they accurately reported their costs of borrowing. As explained below, Defendants' scheme is evidenced in the aberrant behavior of LIBOR and the rates the LIBOR Panel Defendants reported, which tended to "bunch" near the bottom quartile of the collection of reported rates used to set LIBOR and did not properly correlate with other simultaneous economic measures of

Defendants' costs of borrowing, such as credit default swap ("CDS") insurance premiums and the Eurodollar Bid Rate.

1. <u>Defendants Commenced Their Scheme In 2007 And Perpetuated It Amid Isolated Expressions of Concern By Some Market Participants.</u>

58. In November 2007, a concern arose among some in the U.K. banking community that the members of the U.S. dollar LIBOR panel, including the LIBOR Panel Defendants, might be understating their true costs of borrowing, thus causing LIBOR to be set artificially low. Some U.K. banks raised their concerns at a meeting of the Bank of England that month.

59. In response to those concerns, specifically "anecdotal evidence gathered from conversation with market participants ... that the rates quoted and paid by banks on their interbank borrowing tended to vary more than usual (and by more than what appears in the LIBOR panel) during the turbulence," the Bank for International Settlements ("BIS") in Spring 2008 produced a study of the U.S. dollar LIBOR ("USD-LIBOR"). Overnight-indexed swaps ("OIS") are viewed as virtually risk-free, so the positive difference between LIBOR and interest rates on those swaps should reflect the credit risk of the quoting banks. Specifically, the BIS examined two values: (i) the difference, or "spread," between USD-LIBOR and OIS; and (ii) the BIS compared the LIBOR-OIS spread to the cost of CDS insurance on the debt of the BBA panel banks. Absent manipulation, those two values should exhibit a stable relationship, because they both depend on the same thing: the credit risk of the quoting banks.

60. Contrary to that expectation, the BIS found an unusually "loose" relationship between CDS premiums and the LIBOR-OIS spread, beginning in August 2007 and continuing at least into 2008, when the BIS published its findings. During that time, CDS premiums led the LIBOR-OIS spread in an upward trend. In other words, the cost of CDS insurance on the debt of the panel banks increased more swiftly than the difference between LIBOR and interest rates on OIS, when the two values should have behaved similarly.

61. On May 29, 2008, <u>The Wall Street Journal</u> published the results of a study it had commissioned comparing the quotes of LIBOR panel banks with the contemporaneous cost of

buying default insurance (i.e., a CDS) on the banks' debt.[1] The Journal found that beginning in January 2008, "the two measures began to diverge, with reported LIBOR rates failing to reflect rising default-insurance costs." The Journal further found that the widest gaps existed with respect to the LIBOR quotes of Citibank, WestLB, HBOS, JP Morgan and UBS.

62. The Journal also compared the banks' LIBOR quotes to their actual costs of borrowing in the commercial paper market. The Journal reported, for example, that in mid-April 2008, UBS paid 2.85% to borrow dollars for three months; but on April 16, 2008, UBS reported a borrowing cost of 2.73% to the BBA as its LIBOR reference quote.

63. The Journal further reported an uncanny equivalence between the banks' LIBOR quotes: the three-month borrowing rates the banks reported remained within a range of only 0.06 of a percentage point, even though at the time their CDS insurance costs (premiums) varied much more widely, reflecting the market's differing views as to the banks' creditworthiness. The Journal quoted Stanford University professor Darrell Duffie, who described the unity of the banks' LIBOR quotes as "far too similar to be believed." Calculating an alternate borrowing rate incorporating CDS spreads the Journal estimated that underreporting of LIBOR had a $45 billion effect on the market, representing the amount borrowers (the banks) did not pay to lenders (investors in debt securities issued by the banks) that they would otherwise have had to pay.

64. In May 2008, following the Journal's reports, Tim Bond, the head of asset-allocation research at Barclays, admitted "the rates the banks were posting to the BBA became a little divorced from reality" during 2007-2008, adding:

> We had one week in September where our treasurer, who takes his responsibilities pretty seriously, said, "Right, I've had enough of this, I'm going to quote the right rates". All we got for our pains was a series of media articles saying that we were having difficulty financing.[2]

65. In a report published mid-April 2008 entitled "Is LIBOR Broken?", Citibank's Scott Peng, an interest rate analyst, wrote "Libor at times no longer represents the level at which

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[1] Mollenkamp & Whitehouse, "Study Casts Doubt on Key Rate --- WSJ Analysis Suggests Banks May Have Reported Flawed Interest Data for LIBOR," The Wall Street Journal, May 29, 2008.

[2] http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/2790833/Libor-credibility-questioned-by-Barclays-strategist.html.

banks extend loans to others." He concluded that LIBOR was suppressed by 30 basis points ("bps").[3] Peng resigned approximately one year later. Reports of his resignation referenced his disclosures about LIBOR. On April 18, 2008, Credit Suisse's William Porter, a credit strategist, estimated an even greater suppression: 40 bps (as reported that day by the Journal).

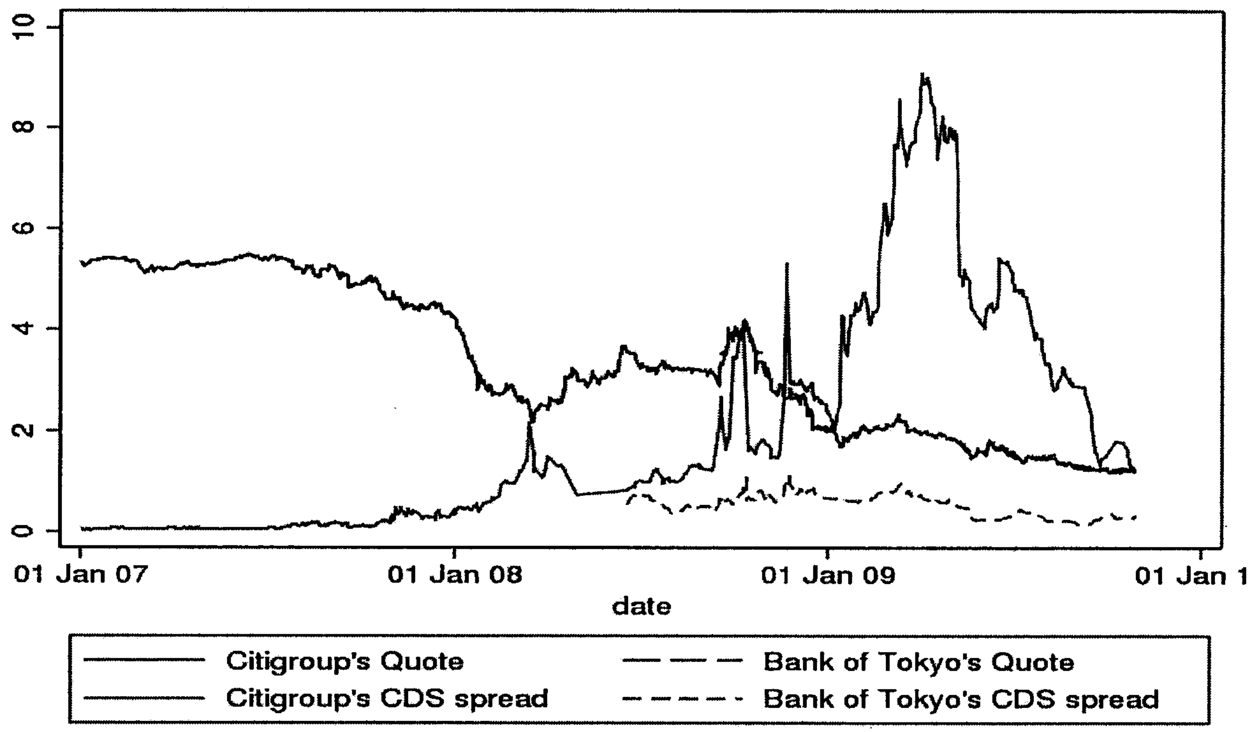
66. On April 3, 2008, the Bank of England money-market committee held a meeting of U.K. banks. The minutes of that meeting state: "U.S. Dollar Libor rates had at times appeared lower than actual traded interbank rates."

67. Right after the Journal's original April 16, 2008 article, the LIBOR panel banks raised their quotes, causing LIBOR to log its biggest increase since August 2007, falsely and misleadingly signaling that any improper reporting of false rates that may have previously occurred had ended.

2. The Discrepancy Between Defendants' Reported LIBOR Quotes And Their CDS Spreads Evinces Defendants' Improper Scheme.

68. Despite the reporting in 2008 described above, the LIBOR Panel Defendants continued to give LIBOR quotes that in fact deviated from their costs of borrowing as reflected in CDS spreads. Citibank, for example, reported rates virtually identical to those of the Bank of Tokyo-Mitsubishi, another U.S. dollar LIBOR panel member, even though the banks had vastly different costs of borrowing, as implied by the respective costs of CDS insurance on their debt.

[3] 100 basis points equal 1%.

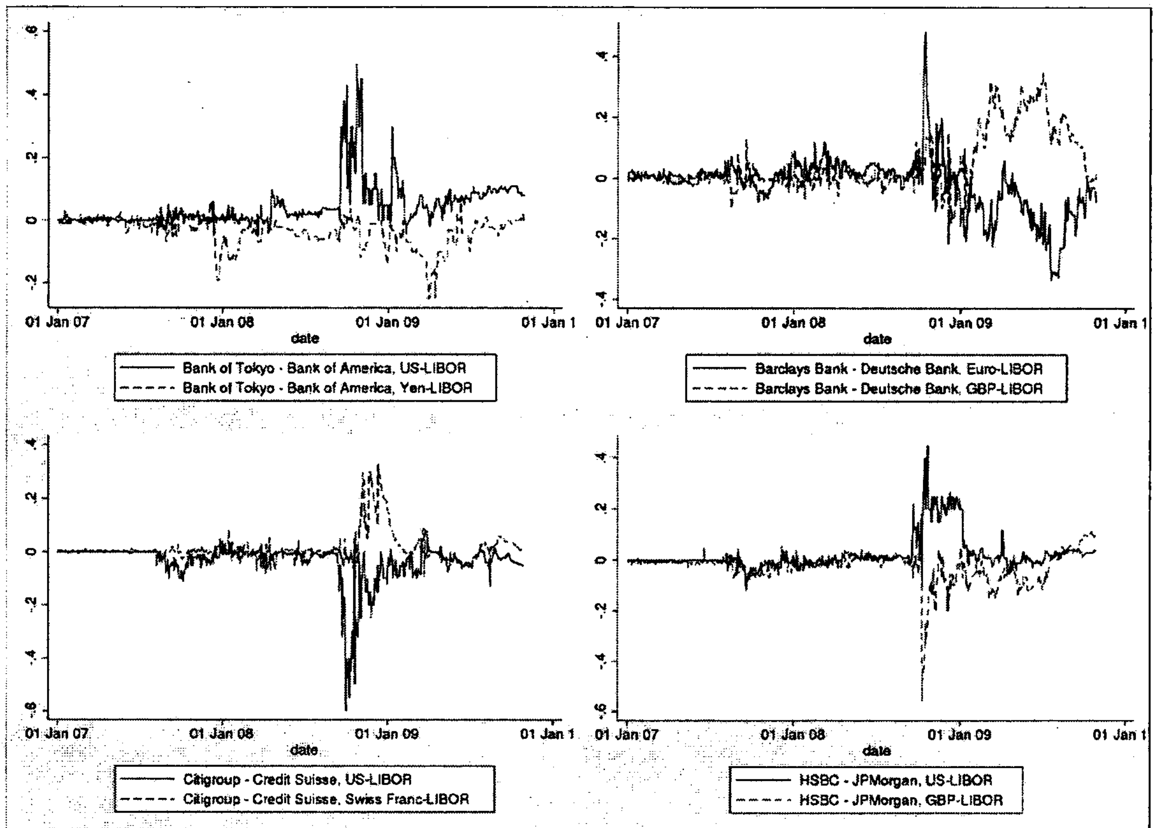


69. Indeed, during much of 2009, Citibank's panel quote was, anomalously, *lower* than the premiums on its CDS, which if true would mean anyone lending to Citibank at interbank rates would, after purchasing CDS insurance, incur a 5% *loss*. That discrepancy contravenes basic rules of economics and finance, thus indicating that Citibank underreported its borrowing costs to the BBA.

3. <u>Deviations Among Banks Participating In The Same Currencies Indicates That Defendants Manipulated LIBOR.</u>

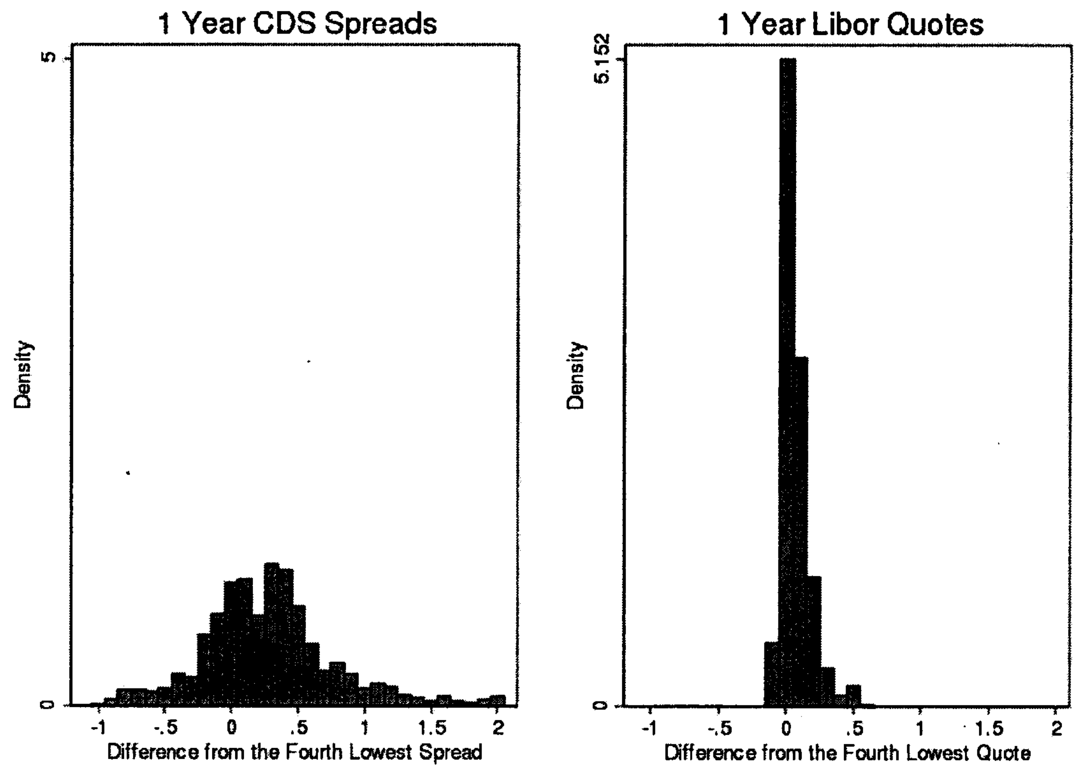
70. The LIBOR Panel Defendants' reported rates also displayed inexplicable ranking anomalies. Specifically, the LIBOR Panel Defendants reported lower rates on USD-LIBOR than did their colleagues on the panel, yet, for other currencies, provided higher rates than did those same other banks. Both Bank of America and Bank of Tokyo, for instance, quoted rates for the USD-LIBOR and Yen-LIBOR during the period under study, yet Bank of America quoted a lower rate than Bank of Tokyo on USD LIBOR and a *higher* rate than Bank of Tokyo on Yen-LIBOR. Other banks suspected of rate manipulation displayed similar anomalies across currencies, as the graphs below demonstrate. Citibank, for example, often reported rates at the top of the Yen-LIBOR scale while simultaneously quoting rates at the bottom of the USD-LIBOR

scale. Those discrepancies make no economic sense: an enormous financial institution like Citibank is not substantially more or less creditworthy for purposes of borrowing yen versus dollars.



4. <u>Quote-Bunching</u>

71. The LIBOR Panel Defendants' LIBOR quotes also demonstrate anomalous "bunching" around the fourth-lowest rate submitted by the 16 reference banks to the BBA every day. As the graphs below demonstrate, during the Relevant Period the rates reported by the LIBOR Panel Defendants tended to "bunch" around the fourth-lowest quote much more commonly than the CDS spreads of the banks tended to "bunch" around the fourth-lowest spread. That discrepancy defies common economic reasoning, which indicates that the distribution of rates and CDS spreads should be the same or very similar. The rates reported by Citibank and Bank of America, in particular, often tended to be identical to the fourth-lowest quote.



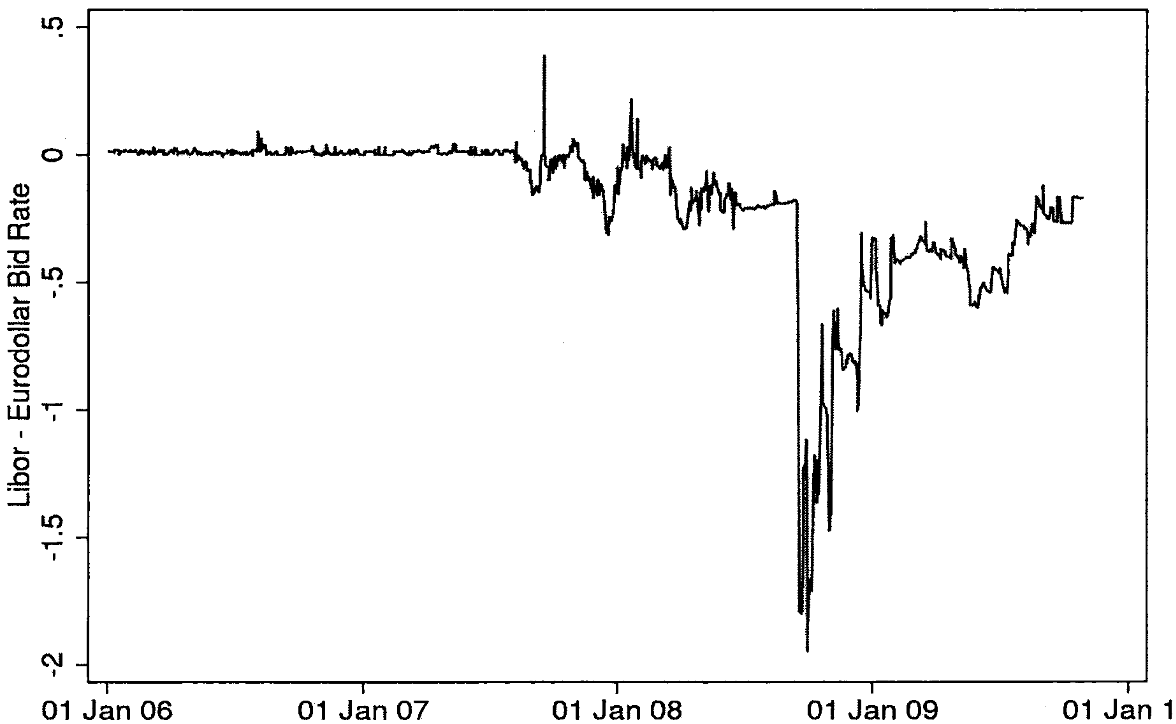
72. Given the method by which the BBA calculates LIBOR—discarding the highest and lowest reported rates and averaging the remainder—that high concentration around the fourth-lowest rate is exactly what would occur if a number of banks sought in concert to depress LIBOR.

5. <u>The Anomalous Eurodollar Bid Rate-LIBOR Spread Beginning After August 2007 Also Reflects Defendants' Scheme.</u>

73. Defendants' conduct also caused LIBOR to break its historic—and economically dictated—relationship with the Eurodollar Bid Rate. "Eurodollars" are time-deposits for dollars located outside the United States. The "Eurodollar Bid Rate" is the rate of interest offered on such deposits. In other words, it is the rate offered to attract dollars, whereas LIBOR is, essentially, the rate asked of a party seeking dollars. Thus, before August 2007, the previous day's Eurodollar Bid Rate was closely aligned with, and was a good predictor of, LIBOR. The Eurodollar Bid Rate had usually tracked 6-12 bps below LIBOR, suggesting something like a bid-ask spread. Thus, if, hypothetically, the Eurodollar Bid Rate were 2.5%, one would expect LIBOR that same day to fall between 2.56% and 2.62%.

74. After August 2007, however, that relationship broke down: the spread inverted, with LIBOR skewing lower than the Eurodollar Bid Rate by substantial amounts through 2009. The Eurodollar Bid Rate no longer predicted LIBOR; the prior-day's LIBOR became a much better predictor. An analysis of the Eurodollar Bid Rate over time implies that LIBOR continued to be understated by as much as 30-40 basis points through 2009.

75. The following shows the breakdown of the relationship between the Eurodollar Bid Rate and LIBOR from 2007 to 2009.



C. Defendants Possessed Strong Incentives to Manipulate LIBOR.

76. Defendants each had a substantial financial incentive to manipulate LIBOR because each had billions of dollars in exposures to movements in interest rates. Citibank, Bank of America and JPMorgan, for instance, reported billions of dollars (notional) in interest rate swaps during the period under study; even a small unhedged exposure to interest rates would have had a substantial effect on revenues. Indeed, all three banks reported increased net interest revenues in the first quarter of 2009, when LIBOR fell dramatically. Similarly, in 2009 Citibank reported it would make $936 million in net interest revenue if rates would fall by 25 bps per quarter over the next year and $1.935 billion if they fell 1% instantaneously. JP Morgan also

reported significant exposure to interest rates in 2009: it predicted that if interest rates increased by 1%, it would lose over $500 million. HSBC and Lloyds also predicted they would earn hundreds of millions of additional dollars in 2008-2009 in response to lower interest rates, and lose comparable amounts in response to higher rates. These banks collectively earned billions in net interest revenues during the Relevant Period. Underreporting the banks' costs of borrowing also had the benefit of disguising the true risks to their solvency and liquidity during a time of economic crisis and intense political pressure.

D. Defendants' Misconduct Has Incited Numerous Pending Government Investigations.

77. Numerous regulators, professional organizations, analysts and news agencies recently have begun investigating the LIBOR Panel Defendants' reported LIBOR rates.

78. On March 15, 2011, UBS disclosed that it had received subpoenas from the SEC, the Commodity Futures Trading Commission ("CFTC") and the DOJ seeking information concerning "whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate LIBOR at certain times." UBS reported that the Japanese Financial Supervisory Agency also requested information relating to UBS's LIBOR self-reporting.

79. On March 15, 2011, the *Financial Times* reported that the U.K.'s Financial Services Authority ("FSA") had requested similar information from UBS.

80. The *Financial Times* also reported that Bank of America, Citibank and Barclays had received subpoenas from the FSA and that "[a]ll the [BBA] panel members are believed to have received at least an informal request for information[.]"

81. Lloyds Banking Group, Barclays, and RBS have also disclosed that they are subjects of the FSA's investigation.

82. On July 26, 2011, news sources reported that UBS had disclosed that it had received a grant of conditional leniency from the DOJ in exchange for cooperating with the DOJ's investigation into LIBOR manipulation. UBS has received conditional leniency pursuant to the Antitrust Criminal Penalties Enhancement and Reform Act and the DOJ's Corporate Leniency Policy. Under that policy, the DOJ only grants leniency to corporations that report actual illegal activity.

E. <u>**Plaintiffs Have Suffered Significant Harm As A Result of Defendants' Misconduct.**</u>

83. Throughout the Relevant Period, Defendants' manipulation of LIBOR caused damage to Plaintiffs. All told, Defendants' conduct affected the value of tens of billions of dollars in LIBOR-based instruments and securities Plaintiffs held or purchased. Most of those securities and instruments fell into one of the following categories.

84. <u>Floating-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by Defendants.</u> Throughout the Relevant Period, Plaintiffs bought floating-rate notes from and issued by Defendants. These notes paid a rate of return based on LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes than they would have if LIBOR had been properly set. Plaintiffs relied on the accuracy of LIBOR in undertaking these transactions.

85. <u>Floating-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by entities other than Defendants.</u> Throughout the Relevant Period, Plaintiffs bought floating-rate notes from and issued by entities other than Defendants, e.g. short-term commercial paper. As is well-known to sophisticated market participants like Defendants, these notes are affected by, and pay returns based on, LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes than they would have if LIBOR had been properly set. Plaintiffs relied on the accuracy of LIBOR in undertaking these transactions.

86. <u>Fixed-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by Defendants.</u> Throughout the Relevant Period, Plaintiffs bought fixed-rate notes from and issued by Defendants. These notes paid a fixed rate of return. However, the price of these notes and the fixed rate or return were determined based on LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes and/or pay more for them than they would have if LIBOR had been properly set. Plaintiffs relied on the accuracy of LIBOR in undertaking these transactions.

87. <u>Fixed-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by entities other than Defendants.</u> Throughout the Relevant Period, Plaintiffs bought

fixed-rate notes from and issued by entities other than Defendants. As is well-known to sophisticated market participants like Defendants, these notes are priced off of, and pay returns based on, LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes than they would have if LIBOR had been properly set.

FRAUDULENT CONCEALMENT

88. Plaintiffs had neither actual nor constructive knowledge of the facts supporting their claims for relief despite diligence in trying to discover the pertinent facts. Plaintiffs did not discover, and could not have discovered through the exercise of reasonable diligence, the existence of the conspiracy alleged herein until 2011, when investigations by the DOJ and other antitrust regulators became public. Defendants engaged in a secret conspiracy that did not give rise to facts that would put Plaintiffs on inquiry notice that there was a conspiracy to manipulate LIBOR.

CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

Violation of Section 1 of the Sherman Act, 15 U.S.C. § 1

89. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

90. Defendants entered into and engaged in a conspiracy in unreasonable restraint of trade in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

91. During the Relevant Period, Defendants controlled what LIBOR rate would be reported and therefore controlled prices in the market for securities and contracts paying returns based on LIBOR. Defendants competed in this market.

92. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained or made artificial prices for LIBOR-based instruments and securities. Defendants' conspiracy constitutes a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade.

93. Defendants' conspiracy, and the resulting impact on the market for LIBOR-based instruments and securities, occurred in and affected interstate and international commerce.

94. As a proximate result of Defendants' unlawful conduct, Plaintiffs have suffered injury to their business or property.

95. Plaintiffs are entitled to treble damages for the violations of the Sherman Act alleged herein.

SECOND CLAIM FOR RELIEF

Interference with Economic Advantage (under California Law)

96. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

97. As set forth in this Complaint, Defendants manipulated LIBOR in violation of federal and state law.

98. An economic relationship existed between Plaintiffs and issuers of LIBOR-based instruments and securities, which obligated the issuers to make payments to Plaintiffs at a rate dependent on LIBOR.

99. Defendants' unlawful manipulation of LIBOR interfered with and disrupted that relationship by defeating the parties' expectations that LIBOR would be set honestly and accurately and would provide a fair benchmark for those securities. As a result, Plaintiffs received lower payments on those securities than they otherwise would have, and overpaid for the securities, and were damaged thereby.

100. Defendants acted with the knowledge that interference or disruption of Plaintiffs' relationships with issuers of securities indexed to LIBOR were certain or substantially certain to result from Defendants' unlawful manipulation of LIBOR.

THIRD CLAIM FOR RELIEF

Violation of Section 17200 of the California Business and Professions Code (Unfair Business Practices)

101. Defendants have engaged in fraudulent, unfair and illegal conduct in violation of Section 17200 of the California Business and Professions Code ("Section 17200"). Defendants'

conduct was substantially injurious to Plaintiffs.

102. Defendants' business acts and practices, as alleged herein, constituted—and still constitute—a continuous course of unfair competition by means of unfair, unlawful or fraudulent business acts or practices in violation of Section 17200, including the following:

a. the violations of the antitrust, securities, wire fraud, mail fraud, bank fraud, racketeering and other laws as set forth herein;

b. Defendants' unfair business acts and practices, which induced investors, including Plaintiffs, to purchase and retain the LIBOR-based instruments and securities Defendants or others issued based on falsely-set LIBOR rates, and Defendants' materially false and misleading statements about their costs of borrowing, made with knowledge or reckless disregard that they were materially false or misleading when made.

103. Defendants' business acts and practices, as alleged herein, have caused Plaintiffs to purchase and retain the subject LIBOR-based instruments and securities and, as a result, to suffer losses.

104. Plaintiffs are entitled to full relief, including full restitution or disgorgement of all revenues, earnings, profits, compensation and benefits Defendants may have obtained as a result of such business, acts or practices, and an injunction mandating that Defendants cease and desist from engaging in the practices described herein.

FOURTH CLAIM FOR RELIEF

Fraud, Deceit and Concealment (under Sections 1572, 1709 and 1710 of the California Civil Code)

105. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

106. Plaintiffs purchased LIBOR-based instruments and securities issued by Defendants and other entities. Those included floating-rate notes where Defendants paid interest rates based on LIBOR, and fixed-rate notes where the parties determined the fixed rate of interest by referencing LIBOR.

107. Defendants made numerous statements to Plaintiffs to induce them to purchase those notes and other financial instruments.

108. Contemporaneous with Plaintiffs' purchases, Defendants gave public quotes to the BBA of their supposed costs of borrowing.

109. In fact, Defendants' quotes to the BBA did not reflect their true costs of borrowing but instead reflected Defendants' scheme to unlawfully manipulate LIBOR.

110. Defendants never disclosed to Plaintiffs the inaccuracy of their quotes to the BBA or that Defendants had manipulated LIBOR to cause it to be lower than it should have been, and perpetrated an ongoing conspiracy to do so.

111. The inaccuracy of Defendants' reported quotes and their scheme to manipulate LIBOR were material facts of which Plaintiffs were unaware. If Defendants had disclosed those facts, Plaintiffs would not have purchased the subject securities, or at least would have demanded appropriately higher interest rates on those securities. Plaintiffs relied on the accuracy of Defendants' quotes, on the accuracy of LIBOR, and on the other statements by Defendants that did not include these material omissions.

112. Defendants' concealment of the inaccuracy of their reported quotes and their scheme to manipulate LIBOR damaged Plaintiffs because Plaintiffs received lower returns (via lower interest rates) than they would have had LIBOR been accurately and honestly set, or had Plaintiffs purchased securities not paying interest as a function of LIBOR.

FIFTH CLAIM FOR RELIEF

Violation of Section 11 of the Securities Act of 1933, 15 U.S.C. § 77k

113. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

114. For purposes of this claim, Plaintiffs expressly disclaim and exclude any allegations that could be construed as alleging fraud or intentional or reckless misconduct, as this cause of action is based expressly on claims of strict liability or negligence under the Securities Act.

115. Plaintiffs bring this claim in connection with all LIBOR-based notes or other

securities Plaintiffs purchased in offerings during the Relevant Period.

116. Each Defendant filed registration statements and other related documents in connection with each of the subject offerings.

117. Those registration statements and other related documents contained materially false statements of fact, or omitted to state facts necessary to make the statements therein not misleading. Specifically, the documents omitted to state that Defendants, as set forth above, had manipulated LIBOR in a downward direction by providing inaccurate quotes to the BBA and that Defendants perpetuated an ongoing scheme to continue their manipulation. Moreover, representations in the subject registration statements and related documents that the interest rates for the subject securities would be based on LIBOR were false or misleading as a result of Defendants' manipulation of LIBOR. Thus references to "LIBOR" in those documents constitute affirmative misstatements.

118. None of the Defendants made a reasonable investigation or possessed reasonable grounds to believe that the statements contained in the registration statements were true or that there was no omission of material facts necessary to make the statements made therein not misleading.

119. By reason of the conduct herein alleged, each Defendant violated Section 11 of the Securities Act.

120. As a direct and proximate result of Defendants' acts and omissions in violation of the Securities Act, the prices or values of the notes and other securities sold in the subject offerings were artificially inflated, and Plaintiffs suffered substantial damage in connection with their ownership of those securities.

121. As issuers of the subject securities, each Defendant is strictly liable to Plaintiffs for the material omissions identified above.

122. Plaintiffs obtained the subject securities without knowledge of the facts concerning the misstatements or omissions alleged herein.

123. This action is brought within one year after discovery of the untrue statements and omissions should have been made through the exercise of reasonable diligence, and within three

years of the effective date of the subject registration statements.

124. Plaintiffs are entitled to damages under Section 11 from each Defendant, as measured by the provisions of Section 11(e).

SIXTH CLAIM FOR RELIEF

Violation of Section 12(a)(2) of the Securities Act of 1933

125. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

126. For purposes of this claim, Plaintiffs expressly disclaim and exclude any allegations that could be construed as alleging fraud or intentional or reckless misconduct, as this cause of action is based expressly on claims of strict liability or negligence under the Securities Act.

127. Defendants were sellers, offerors, underwriters or solicitors of sales of securities issued by Defendants to Plaintiffs through prospectuses or oral communications during the Relevant Period.

128. The prospectuses or oral communications contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and concealed and failed to disclose material facts. Defendants' actions of solicitation included participating in the preparation of the false and misleading prospectuses or oral communications.

129. Defendants owed to the purchasers of the subject securities, including Plaintiffs, the duty to make a reasonable and diligent investigation of the statements contained in the prospectuses or oral communications, to insure that such statements were true and that there was not omission to state a material fact required to be stated in order to make the statements contained therein not misleading. Defendants knew of, or in the exercise of reasonable care should have known of, the misstatements and omissions contained in the prospectuses or oral communications, as set forth above.

130. Plaintiffs purchased or otherwise acquired securities pursuant to or traceable to the defective prospectuses or oral communications. Plaintiffs did not know, nor in the exercise of

reasonable diligence could have known, of the untruths and omissions.

131. Plaintiffs hereby offer to tender to Defendants those securities Plaintiffs continue to own, in return for the considerations paid for those securities, together with interest thereon.

132. By reason of the conduct alleged herein, Defendants violated, or controlled a person who violated, Section 12(a)(2) of the Securities Act. Accordingly, Plaintiffs have the right to rescind and recover the consideration paid for the subject securities and hereby elect to rescind and tender those securities to Defendants. Plaintiffs are entitled to rescissionary damages with respect to those subject securities they have sold.

133. Less than three years have elapsed from the time that the securities upon which this count is brought were sold to the public to the time of the filing of this action. Less than one year has elapsed from the time when Plaintiffs discovered or reasonably could have discovered the facts upon which this count is based to the time of the filing of this action.

SEVENTH CLAIM FOR RELIEF

Violation of Section 15 of the Securities Act of 1933, 15 U.S.C. § 77o

134. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

135. This cause of action is being brought under Section 15 of the Securities Act, 15 U.S.C. §77o, against the LIBOR Panel Defendants. This Count is based solely on strict liability and negligence, and does not sound in fraud. Any allegations of fraud or fraudulent conduct or motive are specifically excluded. For purposes of asserting this and its other claims under the Securities Act, Plaintiffs do not allege that the LIBOR Panel Defendants acted with intentional, reckless or otherwise fraudulent intent.

136. Each of the LIBOR Panel Defendants, by virtue of its position as a parent company or otherwise controlling entity of one or more of the Securities Dealer Defendants, was a control person of one or more of the Securities Dealer Defendants.

137. As a result, the LIBOR Panel Defendants are liable under Section 15 of the Securities Act for the Securities Dealer Defendants' primary violations of Sections 11 or 12(a)(2)

of the Securities Act.

EIGHTH CLAIM FOR RELIEF

Violation of Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 Thereunder

138. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

139. Beginning in 2007, Defendants carried out a plan, scheme and course of conduct that was intended to and did: (i) deceive the investing public, including Plaintiffs, as alleged herein; and (ii) cause Plaintiffs to purchase securities at artificially inflated prices. In furtherance of their unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

140. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business that operated as a fraud and deceit on the purchasers of the their securities in an effort to cause LIBOR to be set at an artificially low rate, which in turn allowed Defendants to pay lower interest rates on the notes and other securities Plaintiffs acquired from Defendants and other issuers, in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

141. Defendants, directly and indirectly, by the use, means or instrumentalities of interstate commerce or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the manipulation of LIBOR as specified herein.

142. Defendants employed devices, schemes and artifices to defraud while in possession of material adverse non-public information, and engaged in acts, practices and a course of conduct as alleged herein in an effort to secretly manipulate LIBOR, which included the making of, or participation in the making of, untrue statements of material facts and omitting to state material facts necessary to make Defendants' statements during the Relevant Period—including their representations that the rates of the securities Defendants sold to Plaintiffs were based on LIBOR—in the light of the circumstances under which they were made, not misleading,

as set forth more particularly herein. Moreover, Defendants engaged in transactions, practices and a course of business that operated as a fraud and deceit upon the purchasers of the subject securities during the Relevant Period, including Plaintiffs.

143. Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to Defendants. Defendants perpetrated such material misrepresentations or omissions knowingly or recklessly and for the purpose and effect of concealing Defendants' manipulation of LIBOR from the investing public, including Plaintiffs, and allowing Defendants to reap improper gains by failing to pay to Plaintiffs the true (higher) rates on the subject securities.

144. As a result of Defendants' dissemination of materially false and misleading information and their failure to disclose material facts, as set forth above, Defendants caused LIBOR to be artificially low during the Relevant Period. The artificially depressed LIBOR rates caused the interest rates on the subject securities (which were based on the artificially low LIBOR rates) to be correspondingly, and artificially, low, which deprived Plaintiffs of returns they otherwise would have realized on those securities. In ignorance of those facts, and reasonably relying directly or indirectly on Defendants' false and misleading statements, or on the integrity of the market in which the securities traded, or on the absence of material adverse information that Defendants knew or recklessly disregarded but was not disclosed by Defendants during the Relevant Period, Plaintiffs acquired notes and other LIBOR-based securities during the Relevant Period and received lower payments on those securities than they otherwise would have.

145. At the time of said misrepresentations and omissions, Plaintiffs were unaware the misrepresentations and omissions were false or misleading, and believed them to be true. Had Plaintiffs known the truth regarding Defendants' manipulation of LIBOR, which Defendants did not disclose, Plaintiffs would not have purchased or otherwise acquired the subject securities, or at least would have demanded appropriately higher interest rates on those securities.

146. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs suffered damages in connection with their purchases of the subject securities during the Relevant

Period.

147. This action was filed within two years of discovery of the facts constituting the violation and within five years of the violation.

NINTH CLAIM FOR RELIEF

Violation of Section 20(a) of the Securities Exchange Act of 1934

148. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

149. The LIBOR Panel Defendants acted as controlling persons of the Securities Dealer Defendants within the meaning of Section 20(a) of the Exchange Act as alleged herein. Each of the LIBOR Panel Defendants, by virtue of its position as a parent company or otherwise controlling entity of one or more of the Securities Dealer Defendants, was a control person of one or more of the Securities Dealer Defendants, possessing the power and authority to cause one or more of the Securities Dealer Defendants to engage in the wrongful conduct complained of herein. The LIBOR Panel Defendants were provided with or had unlimited access to copies of the statements alleged by Plaintiffs to be misleading prior to and/or shortly after those statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

150. As set forth above, the Securities Dealer Defendants (as well as the LIBOR Panel Defendants) each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By reason of such conduct, the LIBOR Panel Defendants are liable under Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs suffered damages in connection with their purchases of the subject securities during the Relevant Period.

TENTH CLAIM FOR RELIEF

Violation of the Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. §§ 1961 *et seq.*

151. Plaintiffs incorporate by reference and reallege the preceding allegations as though

fully set forth herein.

Defendants Engaged In Conduct Actionable Under RICO.

152. 18 U.S.C. § 1962(c) makes it illegal for "any person employed by or associated with any enterprise engaged in, or the activities of which affect, interstate or foreign commerce, to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity or collection of unlawful debt."

153. 18 U.S.C. § 1962(d), in turn, makes it "unlawful for any person to conspire to violate any of the provisions of subsection (a), (b), or (c) of this section."

154. Under 18 U.S.C. § 1961(1), and as applicable to Section 1962, "racketeering activity" means (among other things) acts indictable under certain sections of Title 18, including 18 U.S.C. § 1341 (relating to mail fraud), 18 U.S.C. § 1343 (relating to wire fraud), and 18 U.S.C. § 1344 (relating to financial institution fraud).

155. 18 U.S.C. § 1961(5) provides that, to constitute a "pattern of racketeering activity," conduct "requires at least two acts of racketeering activity, one of which occurred after the effective date of this chapter and the last of which occurred within ten years (excluding any period of imprisonment) after the commission of a prior act of racketeering activity."

156. 18 U.S.C. § 1961(3) defines "person" as "any individual or entity capable of holding a legal or beneficial interest in property," and 18 U.S.C. § 1961(4) defines "enterprise" as "any individual, partnership, corporation, association, or other legal entity, and any union or group of individuals associated in fact although not a legal entity."

157. 18 U.S.C. § 1341, the mail fraud statute invoked by 18 U.S.C. § 1961(1) as a predicate act, makes it unlawful to have "devised or intend[ed] to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, or to sell, dispose of, loan, exchange, alter, give away, distribute, supply, or furnish or procure for unlawful use any counterfeit or spurious coin, obligation, security, or other article, or anything represented to be or intimated or held out to be such counterfeit or spurious article, for the purpose of executing such scheme or artifice or attempting so to do, places in any post office or authorized depository for mail matter, any matter or thing

whatever to be sent or delivered by the Postal Service, or deposits or causes to be deposited any matter or thing whatever to be sent or delivered by any private or commercial interstate carrier, or takes or receives therefrom, any such matter or thing, or knowingly causes to be delivered by mail or such carrier according to the direction thereon, or at the place at which it is directed to be delivered by the person to whom it is addressed, any such matter or thing, shall be fined under this title or imprisoned not more than 20 years, or both. If the violation affects a financial institution, such person shall be fined not more than $1,000,000 or imprisoned not more than 30 years, or both."

158. 18 U.S.C. § 1343, the wire fraud statute invoked by 18 U.S.C. § 1961(1) as a predicate act, provides that "[w]hoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, transmits or causes to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, shall be fined under this title or imprisoned not more than 20 years, or both."

159. 18 U.S.C. § 1344, the federal bank fraud statute invoked by 18 U.S.C. § 1961(1) as a predicate act, states:

> Whoever knowingly executes, or attempts to execute, a scheme or artifice –
>
> 1. to defraud a financial institution, or
>
> 2. to obtain any of the moneys, funds, credits, assets, securities, or other property owned by, or under the custody or control of, a financial institution, by means of false or fraudulent pretenses, representations, or promises shall be fined not more than $1,000,000 or imprisoned for not more than 30 years, or both.

160. At all relevant times, Defendants, including the employees who conducted Defendants' affairs through illegal acts (including by communicating false interest rate quotes to the BBA or directing other employees to do so) were "person[s]" within the meaning of 18 U.S.C. § 1961(4), with a definable corporate structure and a hierarchy of corporate direction and control.

161. At all relevant times, Plaintiffs were "person[s]" within the meaning of 18 U.S.C.

§ 1961(3).

Defendants Formed A RICO Enterprise.

162. Defendants' collective association, including through the LIBOR Panel Defendants' participation together as members of the BBA's U.S. Dollar LIBOR panel, constitutes the RICO enterprise in this case. Every member of the enterprise participated in the process of misrepresenting their costs of borrowing to the BBA. Using those false quotes to cause the BBA to set LIBOR artificially low, thereby allowing Defendants to increase their net interest revenues by making artificially low payments to investors such as Plaintiffs, constitutes the common purpose of the enterprise.

The Enterprise Has Perpetrated A Continuing Practice Of Racketeering.

163. For at least four years before this Complaint was filed, Defendants, in concert, made false statements to the BBA for the purpose and with the effect of manipulating LIBOR to be lower than it otherwise would have been. Defendants did so for the purpose and with the effect of decreasing their payments to investors such as Plaintiffs and increasing their net interest revenues. Defendants earned hundreds of millions, if not billions, of dollars in wrongful profits as a result, which they shared with the employees who perpetrated the scheme. The conduct of every party involved in the scheme is hardly an isolated occurrence that resulted in one fraudulent charge.

164. In perpetrating the fraudulent scheme, each Defendant directly or indirectly through its corporate structure has designed and implemented a uniform scheme to manipulate LIBOR. Defendants' daily making and communicating of quotes to the BBA comprise one common, uniform nearly identical system of procedures used in virtually an identical way every day.

165. For at least the past four years, Defendants have knowingly, intentionally or recklessly engaged in an ongoing pattern of racketeering under 18 U.S.C. § 1962(c) by committing the predicate acts of mail fraud within the meaning of 18 U.S.C. § 1341, wire fraud within the meaning of 18 U.S.C. § 1343, and bank fraud within the meaning of 18 U.S.C. § 1344(2), by knowingly and intentionally implementing the scheme to make false statements

about their costs of borrowing, to manipulate LIBOR, which allowed Defendants to reap unlawful profits.

166. Defendants have committed the predicate act of mail fraud under 18 U.S.C. § 1341, thus triggering Section 1962(c) liability, by devising or intending to "devise a scheme or artifice to defraud" purchasers and holders of notes and other securities, and "for the purpose of executing such scheme or artifice or attempting so to do," placed or knowingly caused to be placed in a post office or authorized depository for mail matter, documents or packages to be sent or delivered by the Postal Service or a private or commercial interstate carrier, or received from those entities such documents or packages, including: (i) documents offering for sale notes and other securities and (ii) correspondence regarding offerings of notes and other securities (the conduct described in this paragraph is referred to as the "Mail Fraud").

167. On information and belief, the Mail Fraud is the result of Defendants "having devised or intended to devise a scheme or artifice to defraud" holders of notes and other securities, for the purpose of obtaining money from those holders of notes and other securities through "false or fraudulent pretenses, representations, or promises."

168. By devising the scheme or artifice to defraud consumers as described herein, and for obtaining money from holders of notes and other securities through "false or fraudulent pretenses, representations, or promises" about LIBOR-based notes and other securities, Defendants transmitted or caused to be transmitted by means of "wire communication in interstate or foreign commerce, . . . writings, signs, signals, [and] pictures," "for the purpose of executing such scheme or artifice," including by: (i) transmitting documents offering notes and other securities for sale; (ii) transmitting phony statements about their costs of borrowing; (iii) transmitting e-mail communications relating to the process of determining, making or transmitting phony statements about their borrowing costs; (iv) collecting funds from Plaintiffs via electronic fund transfers or electronic communication with Plaintiffs' bank or credit card institution; or (v) transmitting payments to Plaintiffs.

169. In addition to that conduct, Plaintiffs are informed and believe Defendants used the mails and wires in conjunction with reaching their agreement to make false statements about their

costs of borrowing, to manipulate LIBOR.

170. Plaintiffs do not base their RICO claims on any conduct that would have been actionable as fraud in the purchase or sale of securities.

The Racketeering Scheme Affected Interstate Commerce.

171. Through the racketeering scheme described above, Defendants used the enterprise to improperly increase their profits to the detriment of holders of notes and other securities, who resided in different states.

172. Plaintiffs' allegations satisfy RICO's "interstate commerce" element because the racketeering claims alleged herein arise out of, and are based on, Defendants' use of the Internet or the mails across state lines as well as agreements between entities in different states to manipulate LIBOR. Using those interstate channels to coordinate the scheme and transmit fraudulent statements to Plaintiffs across state lines satisfies RICO's requirement of an effect on interstate commerce.

Defendants Conspired To Violate RICO.

173. Apart from constructing and carrying out the racketeering scheme detailed above, Defendants conspired to violate RICO, constituting a separate violation of RICO under 18 U.S.C. § 1962(d).

174. The fraudulent scheme, as set forth above, alleges a violation of RICO in and of itself.

175. Defendants organized and implemented the scheme, and ensured it continued uninterrupted by concealing their manipulation of LIBOR from investors, including Plaintiffs.

176. Defendants knew the scheme would defraud purchasers and holders of notes and other securities of millions of dollars of interest, yet each Defendant remained a participant despite the fraudulent nature of the enterprise. At any point while the scheme has been in place, any of the participants could have ended the scheme by abandoning the conspiracy and notifying the public and law enforcement authorities of its existence. Rather than stopping the scheme, however, the members of the enterprise deliberately chose to continue it, to the direct detriment of investors such as Plaintiffs.

Plaintiffs Suffered Injury Resulting From The Pattern of Racketeering Activity.

177. Because Plaintiffs unknowingly paid money to Defendants for notes and other securities that paid interest at a manipulated rate, and in fact collected less interest than they would have absent the conspiracy, Plaintiffs are direct victims of Defendants' wrongful and unlawful conduct. Plaintiffs' injuries were direct, proximate, foreseeable and natural consequences of Defendants' conspiracy; indeed, those effects were precisely why the scheme was concocted. In making payments to Defendants, Plaintiffs gave money in the custody or control of financial institutions. There are no independent factors that account for Plaintiffs' economic injuries, and the loss of money satisfies RICO's injury requirement.

178. The pattern of racketeering activity, as described in this Complaint, is continuous, ongoing and will continue unless Defendants are enjoined from continuing their racketeering practices. Defendants have consistently demonstrated their unwillingness to discontinue the illegal practices described herein, and they continue their pattern of racketeering as of the filing of this Complaint.

179. Plaintiffs are entitled to recover treble damages for the injuries they have sustained, according to proof, as well as restitution and costs of suit and reasonable attorneys' fees in accordance with 18 U.S.C. § 1964(c).

180. As a direct and proximate result of the subject racketeering activities, Plaintiffs are entitled to an order, in accordance with 18 U.S.C. § 1964(a), enjoining and prohibiting Defendants from further engaging in their unlawful conduct.

ELEVENTH CLAIM FOR RELIEF

Violation of Sections 25400 and 25401 of the California Corporations Code

181. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

182. Defendants, and each of them, acting individually and through a scheme and conspiracy, directly and indirectly, induced Plaintiffs' purchase and retention of the subject LIBOR-based instruments and securities by circulating or disseminating, in or from California, information for the purpose of inducing Plaintiffs to purchase and hold LIBOR-based instruments

and securities. Defendants omitted to inform Plaintiffs that they were engaged in an ongoing scheme to suppress LIBOR that would cause any holder of the subject LIBOR-based instruments and securities to receive lower payments than it otherwise would. Defendants knew their statements were false or misleading in light of the circumstances under which they were made. Defendants intended that Plaintiffs would be misled and would purchase LIBOR-based instruments and securities based on false information. Despite their knowledge, Defendants continued to make the misrepresentations to induce Plaintiffs to purchase LIBOR-based instruments and securities.

183. Defendants, and each of them, are liable under Sections 25500 and 25501 of the California Corporations Code for willfully participating in acts or transactions in violation of Sections 25400 and 25401 of the Corporations Code or for knowingly providing substantial assistance to violations of Sections 25400 and 25401 in violation of Section 25403. Defendants are therefore liable to Plaintiffs, who purchased LIBOR-based instruments and securities at a price affected by Defendants' acts, for damages sustained as a result of such violations.

184. Under Section 25504 of the California Corporations Code, Defendants, and each of them, are also liable as control persons, officers, principals, employees, broker-dealers or agents who provided material aid to a person in violation of Section 25503.

185. Plaintiffs are entitled to prejudgment interest at the legal rate on their economic damages.

TWELFTH CLAIM FOR RELIEF

Breach of the Implied Covenant of Good Faith (under California Law)

186. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

187. Plaintiffs contracted to purchase from Defendants LIBOR-based instruments and securities.

188. Plaintiffs performed all of their obligations under the applicable contracts.

189. All conditions required for Defendants' performance of those contracts were satisfied.

190. Defendants unfairly interfered with Plaintiffs' right to receive the benefits of the subject contracts by secretly manipulating LIBOR to be lower than it otherwise would have been, as alleged in the foregoing paragraphs of this Complaint.

191. Plaintiffs received less interest and lower returns on the LIBOR-based instruments and securities than they would have absent Defendants' manipulation of LIBOR, and were therefore harmed.

THIRTEENTH CLAIM FOR RELIEF

Unjust Enrichment (under California Law)

192. By means of their unlawful conduct set forth in this Complaint—including misrepresenting their costs of borrowing to the BBA to manipulate LIBOR—Defendants knowingly acted in an unfair, unconscionable and oppressive manner toward Plaintiffs.

193. Through their unlawful conduct, Defendants knowingly received and retained wrongful benefits and funds from Plaintiffs. Defendants thereby actd with conscious disregard for Plaintiffs' rights.

194. As a result of their unlawful conduct, Defendants have realized substantial ill-gotten gains. Defendants have unlawfully manipulated LIBOR at the expense of, and to the detriment of, Plaintiffs, and to Defendants' benefit and enrichment.

195. Plaintiffs' detriment and Defendants' enrichment are traceable to, and resulted directly and proximately from, the conduct challenged in this Complaint.

196. Under the common law doctrine of unjust enrichment, it is inequitable to permit Defendants to retain the benefits they received, and are still receiving, without justification, from their manipulation of LIBOR in an unfair, unconscionable and oppressive manner. Defendants' retention of such funds under circumstances making it inequitable to do so constitutes unjust enrichment.

197. The financial benefits Defendants derived rightfully belong to Plaintiffs. The Court should compel Defendants to disgorge, in a common fund for Plaintiffs' benefit, all unlawful or inequitable proceeds Defendants received. The Court should impose a constructive trust upon all unlawful or inequitable sums Defendants received that are traceable to Plaintiffs.

198. Plaintiffs have no adequate remedy at law.

FOURTEENTH CLAIM FOR RELIEF

Cartwright Act, Cal. Bus. & Prof. Code §§ 16720, et seq.

199. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

200. Defendants entered into and engaged in an unlawful trust in restraint of the trade and commerce described above in violation of California Business and Professions Code section 16720.

201. During the Relevant Period, Defendants controlled what LIBOR rate would be reported and therefore controlled prices in the market for securities and contracts paying returns based on LIBOR. Defendants competed in this market.

202. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained or made artificial prices for LIBOR-based instruments and securities. Defendants' conspiracy constitutes a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade.

203. Defendants' conspiracy, and the resulting impact on the market for LIBOR-based instruments and securities, occurred in and affected interstate and international commerce.

204. As a proximate result of Defendants' unlawful conduct, Plaintiffs have suffered injury to their business or property.

205. Accordingly, Plaintiffs seek three times their damages caused by Defendants' violations of the Cartwright Act, the costs of bringing suit, reasonable attorneys' fees, and a permanent injunction enjoining Defendants' from ever again entering into similar agreements in violation of the Cartwright Act.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for relief as follows:

(A) That the Court enter an order declaring that Defendants' actions as set forth in this

Complaint, and in other respects, violate the law;

(B) That the Court enter judgment awarding Plaintiffs damages against Defendants for all economic, monetary, actual, consequential and compensatory damages Plaintiffs suffered as a result of Defendants' conduct, or rescission, together with pre- and post-judgment interest at the maximum rate allowable by law;

(C) That the Court award Plaintiffs exemplary or punitive damages against Defendants to the extent allowable by law;

(D) That the Court award Plaintiffs damages against Defendants for Defendants' violation of the federal antitrust laws and RICO in an amount to be trebled in accordance with those laws ;

(E) That the Court issue an injunction prohibiting Defendants from continuing the misconduct alleged in this Complaint, including their ongoing manipulation of LIBOR;

(F) That the Court order the disgorgement of the ill-gotten gains Defendants derived from their misconduct

(G) That the Court award Plaintiffs restitution of all amounts they paid to Defendants as consideration for notes and other financial instruments affected by Defendants' misconduct;

(H) That the Court award Plaintiffs their costs of suit, including reasonable attorneys' fees and expenses; and

(I) That the Court award such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiffs respectfully demand a trial by jury of all issues so triable.

Dated: August 23, 2011

LIEFF, CABRASER, HEIMANN & BERNSTEIN, LLP

By: ______________________________

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FW: LIBOR

Item ID:	31699
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted] </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=ee404ea9fa5044ef9bd01bdfeb014378-[redacted]>
Subject:	FW: LIBOR
Sent:	August 27, 2012 2:22 PM
Received:	August 27, 2012 2:22 PM

Hi [redacted], Thought you'd be interested in this. Tim From: Lee, Timothy Sent: Monday, August 27, 2012 2:20 PM To: [redacted]; Timothy.Friedman@fhfa.gov; fred.graham@fhfa.gov Cc: [redacted]; Parker, Richard; Stephens, Michael Subject: LIBOR Hi folks, A little research today uncovered the claim filed by Charles Schwab with respect to the LIBOR scandal. You'll note, sadly, that it's unprintable (the PDF file, not the language therein). Still, it's worth sitting at your computer to read. The assertions of fact are very interesting (put together by people with real knowledge of the markets) and suggest that establishment of a necessary pattern is farther along than I had expected. Interestingly, it suggests that the magnitude of the suppression might be in the neighborhood of 30-40 bp through 2008-2009. The Federal law violations it claims include those of the Sherman Act [redacted] the 1933 Act, the 1940 Act, 10b-5 and RICO. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1

Charles Schwab LIBOR suit.pdf

Original view

40 pages (displayed on pages 3 to 42)

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

CHARLES SCHWAB BANK, N.A.; CHARLES SCHWAB & CO., INC.; and THE CHARLES SCHWAB CORPORATION, Plaintiffs, v. BANK OF AMERICA CORPORATION; BANK OF AMERICA, N.A.; CREDIT SUISSE GROUP AG; J.P.MORGAN CHASE & CO.; HSBC HOLDINGS PLC; BARCLAYS BANK PLC; LLOYDS BANKING GROUP PLC; WESTLB AG; UBS AG; ROYAL BANK OF SCOTLAND GROUP PLC; DEUTSCHE BANK AG; CITIGROUP, INC.;	Case No. CV 11 4187 **COMPLAINT** **JURY TRIAL DEMANDED**

CITIBANK, N.A.; DEUTSCHE BANK SECURITIES; BANC OF AMERICA SECURITIES, LLC; CREDIT SUISSE SECURITIES (USA) LLC.; UBS FINANCIAL SERVICES INC.; J.P. MORGAN SECURITIES INC.; CITIGROUP GLOBAL MARKETS INC.; CITIGROUP FUNDING, INC.; RBS SECURITIES INC. (F/K/A GREENWICH CAPITAL MARKETS, INC.); BANK OF SCOTLAND PLC; CREDIT SUISSE HOLDINGS (USA) INC;
CHASE BANK USA;
JPMORGAN CHASE BANK NA;
JP MORGAN SECURITIES LLC;
HSBC BANK USA;
HSBC FINANCE CORPORATION;
HSBC SECURITIES (USA) INC;
BARCLAYS US FUNDING CORP;
LLOYDS TSB BANK PLC;
UBS FINANCE (DELAWARE) INC;
UBS FINANCIAL SERVICES INC;
UBS SECURITIES LLC;
DEUTSCHE BANK FINANCIAL LLC;
CITIZENS BANK, NA; CITIZENS BANK OF MASSACHUSETTS; CITIZENS BANK OF PENNSYLVANIA; and RBS CITIZENS, NA,

Defendants.

Plaintiffs Charles Schwab Bank, N.A., Charles Schwab & Co., Inc., and The Charles Schwab Corporation ("Plaintiffs"), by their counsel, allege as follows:

NATURE OF THE ACTION

1. This case arises from ongoing manipulation of the London Interbank Offered Rate ("LIBOR") by a cadre of prominent financial institutions. Beginning in 2007 and continuing approximately until the announcement of government investigations and subpoenas in March 2011 (the "Relevant Period"), Defendants (identified below) purported to report to the British Bankers' Association ("BBA") the actual interest rates they paid on funds they borrowed from other financial institutions—i.e., their true "costs of borrowing"—on a daily basis. The BBA then relied on the false information Defendants provided to set LIBOR, a benchmark set of interest

rates used to price trillions of dollars' worth of financial instruments worldwide. By acting together and in concert to knowingly understate to the BBA their true costs of borrowing, Defendants caused LIBOR to be set artificially low.

2. Defendants perpetrated their fraudulent scheme and conspiracy to artificially depress LIBOR as a means to pay lower interest rates on interest-bearing financial instruments and securities paying returns based on, tied to, benchmarked or indexed to LIBOR (collectively, "LIBOR-based instruments and securities") that Defendants sold to investors, including Plaintiffs. Specifically, Defendants misrepresented, in connection with numerous offerings of LIBOR-based instruments and securities during the Relevant Period, that the interest rates investors would receive on the subject LIBOR-based instruments and securities were based on LIBOR, when in fact Defendants were actively working together to ensure LIBOR was set at artificially low rates. Thus surreptitiously bilking investors of their rightful rates of return on their investments, Defendants reaped hundreds of millions, if not billions, of dollars in ill-gotten gains. Defendants—in the debt securities context, the borrowers—have been cheating investors—the lenders—out of interest payments for years. Moreover, by understating their true costs of borrowing, Defendants provided a false or misleading impression of their financial strength to investors.

3. Defendants' manipulation similarly depressed returns on securities they sold and issued that paid a fixed rate of return, such as fixed-rate notes. As Defendants know, market participants use LIBOR as the starting point for negotiating rates of return on short-term fixed-rate instruments, such as fixed-rate notes maturing in a year or less. Defendants borrowed money from Plaintiffs by issuing short-term paper at a rate set as a spread above LIBOR. By depressing LIBOR, Defendants paid lower interest rates on short-term paper Plaintiffs purchased from them. Additionally, by depressing LIBOR, Defendants depressed the rates of return Plaintiffs earned on short-term paper they purchased from other entities who based those rates on LIBOR.

4. While Defendants successfully perpetrated their unlawful scheme for years (amid isolated expressions of concern by some market participants), a series of recently initiated government investigations within the United States and abroad has begun to shed light on

Defendants' malfeasance. Among other things, UBS recently disclosed that it received a grant of conditional leniency from the United States Department of Justice ("DOJ") under the Antitrust Criminal Penalties Enhancement and Reform Act and the DOJ's Corporate Leniency Policy in exchange for cooperating with the DOJ's investigation into LIBOR manipulation. Under that policy, the DOJ only grants leniency to corporations that report *actual illegal activity*. Other Defendants likewise are targets of government investigations concerning the misconduct alleged in this Complaint.

5. During the Relevant Period, Plaintiffs acquired tens of billions of dollars' worth of LIBOR-based instruments and securities from Defendants and other issuers, which paid artificially low returns to Plaintiffs based on Defendants' manipulation of LIBOR.

6. Plaintiffs now seek relief for the damages they have suffered as a result of Defendants' violations of federal and state law. Plaintiffs assert claims under the Sherman Act, 15 U.S.C. §§ 1 *et seq.*; the Clayton Act, 15 U.S.C. §§ 12 *et seq.*; the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77k; the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the United States Securities and Exchange Commission ("SEC"), 17 C.F.R. § 240.10b-5; the federal Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. §§ 1961 *et seq.*; and the statutory and common law of California. Plaintiffs' allegations are based on personal knowledge with respect to their own conduct and on information and belief as to other allegations based on facts obtained during the course of their attorneys' investigation.

JURISDICTION AND VENUE

7. This Court has jurisdiction over the subject matter of this action under Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 & 26(a); Section 27 of the Exchange Act, 15 U.S.C. § 78aa; Section 22 of the Securities Act, 15 U.S.C. § 77v; and 28 U.S.C. §§ 1331 and 1337. The Court may exercise supplemental jurisdiction, in accordance with 28 U.S.C. § 1367, over Plaintiffs' state-law claims.

8. This Court has personal jurisdiction over all of the Defendants by virtue of their business activities in this jurisdiction.

9. Venue is proper in the Northern District of California under Section 27 of the Exchange Act, 15 U.S.C. § 78aa; Section 22 of the Securities Act, 15 U.S.C. § 77v; Section 1965 of RICO, 18 U.S.C. § 1965; and 28 U.S.C. § 1391(b), (c) and (d). Each Defendant transacted business in this District and a substantial part of the events or omissions giving rise to Plaintiffs' claims occurred in this District. Defendants' unlawful conduct manipulated the prices of LIBOR-based instruments and securities traded in this District.

THE PARTIES

PLAINTIFFS

10. Plaintiff The Charles Schwab Corporation is a corporation organized under the laws of Delaware, with its principal place of business in San Francisco, California.

11. Plaintiff Charles Schwab Bank, N.A. is a national banking association organized under the laws of Arizona and headquartered in Reno, Nevada. Charles Schwab Bank, N.A., is a wholly-owned subsidiary of The Charles Schwab Corporation.

12. Plaintiff Charles Schwab & Co., Inc. is a California Corporation and a wholly-owned subsidiary of The Charles Schwab Corporation. Charles Schwab & Co., Inc., through its division Charles Schwab Treasury manages the investments of Charles Schwab Bank, N.A. Charles Schwab Treasury is the entity to which Defendants directed their solicitations to purchase all LIBOR-based instruments and securities referred to in this Complaint. Charles Schwab Treasury received those solicitations and executed the purchase of all LIBOR-based instruments and securities referred to in this Complaint.

DEFENDANTS

A. LIBOR Panel Members

13. Defendant Bank of America Corporation is a Delaware corporation headquartered in Charlotte, North Carolina.

14. Defendant Bank of America, N.A., is a national banking association incorporated in North Carolina and with its principal place of business in Charlotte, North Carolina. It is a wholly-owned subsidiary of NB Holdings Corporation, which in turn is wholly-owned by Defendant Bank of America Corporation. Defendants Bank of America, N.A. and Bank of

America Corporation are collectively referred to as "Bank of America."

15. Defendant Credit Suisse Group AG is a Swiss company headquartered in Zurich, Switzerland.

16. Defendant J.P. Morgan Chase & Co. is a Delaware financial holding company headquartered in New York, New York.

17. Defendant HSBC Holdings plc is a British public limited company headquartered in London, England.

18. Defendant Barclays Bank plc is a British public limited company headquartered in London, England.

19. Defendant Lloyds Banking Group plc is a British public limited company headquartered in London, England. Lloyds was formed in 2009 through the acquisition of HBOS plc by Lloyds TSB Bank plc.

20. Defendant WestLB AG ("WestLB") is a German joint stock company headquartered in Dusseldorf, Germany.

21. Defendant UBS AG is a Swiss company based in Basel and Zurich, Switzerland.

22. Defendant Royal Bank of Scotland Group plc is a British public limited company headquartered in Edinburgh, Scotland.

23. Defendant Deutsche Bank, AG is a German financial services company headquartered in Frankfurt, Germany.

24. Defendant Citibank, N.A. is a wholly-owned subsidiary of Defendant Citigroup, Inc., a United States financial services corporation headquartered in New York, New York. Defendants Citibank, N.A., and Citigroup, Inc., are collectively referred to as "Citibank."

25. During the Relevant Period, each of the Defendants listed in paragraphs 13-24 was a member of the BBA's U.S. Dollar LIBOR panel. These Defendants are referred to collectively as the "LIBOR Panel Defendants."

B. Affiliated Securities Dealers

26. Defendant Deutsche Bank Securities is a broker-dealer organized under Delaware law and doing business in New York, New York. It is a wholly-owned subsidiary of Defendant Deutsche Bank AG.

27. Defendant Banc of America Securities, LLC is a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant Bank of America Corporation.

28. Defendant Barclays Capital Inc. is a corporation organized under Connecticut law and doing business in New York, New York. It is a division of Defendant Barclays plc.

29. Defendant Credit Suisse Securities (USA) LLC is a corporation organized under Delaware law and doing business in New York, New York.

30. Defendant UBS Financial Services Inc. is a corporation organized under Delaware law doing business in Weehawken, New Jersey.

31. Defendant J.P. Morgan Securities Inc., f/k/a Bear Stearns & Co., is a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant JP Morgan Chase Bank, N.A.

32. Defendant Citigroup Global Markets Inc. is a broker-dealer New York corporation organized under New York law. It is a subsidiary of Defendant Citigroup, Inc.

33. Defendant Citigroup Funding, Inc. is a corporation organized under Delaware law. It is a subsidiary of Defendant Citigroup, Inc.

34. Defendant RBS Securities, Inc., (f/k/a Greenwich Capital Markets, Inc.) is a corporation organized under Delaware law doing business in Connecticut. It is a subsidiary of Defendant Royal Bank of Scotland Group plc.

35. Defendant Bank of Scotland plc is a bank organized under U.K. law, based in Edinburgh. It is a subsidiary of Defendant Lloyds Banking Group plc.

36. Defendant Credit Suisse Holdings (USA) Inc is a corporation organized under Delaware law and doing business in New York, New York. It is a subsidiary of Defendant Credit Suisse Group AG.

37. Defendant Chase Bank USA, N.A. is a national banking association incorporated

in Delaware, with its principal place of business in Newark, Delaware, and is a wholly-owned subsidiary of Defendant JPMorgan Chase & Co.

38. Defendant JPMorgan Chase Bank NA s a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant JPMorgan Chase & Co.

39. Defendant JP Morgan Securities LLC is a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant JPMorgan Chase & Co.

40. Defendant HSBC Bank USA, N.A. is the principal subsidiary of HSBC USA Inc., an indirect, wholly-owned subsidiary of HSBC North America Holdings Inc.

41. Defendant HSBC Finance Corporation is a subsidiary of HSBC North America Holdings Inc., owned by HSBC Holdings plc, the parent company of the HSBC Group. HSBC Finance Corporation is headquartered in London, England.

42. Defendant HSBC Securities (USA) Inc is a corporation organized under the laws of Delaware, with its principal place of business in New York, New York, and is a subsidiary of HSBC North America Holdings, Inc.

43. Barclays US Funding LLC, formerly known as Barclays U.S. Funding Corporation, is a corporation organized under Delaware law and doing business in New York, New York.

44. Defendant Lloyds TSB Bank PLC is a British public limited company headquartered in London, England. It is a subsidiary of Defendant Lloyds Banking Group plc.

45. Defendant UBS Finance (Delaware) Inc. is a corporation organized under Delaware law doing business in New York, New York. It is a wholly-owned subsidiary of Defendant UBS AG.

46. Defendant UBS Securities LLC (f/k/a USB Warburg LLC) is a corporation organized under Delaware law doing business in Connecticut. It is a wholly-owned subsidiary of Defendant UBS AG.

47. Defendant Deutsche Bank Financial LLC is a limited liability company organized under Delaware law. It is a subsidiary of Defendant Deutsche Bank, AG.

48. Defendant Citizens Bank, NA is a national banking association organized under

Rhode Island Law doing business in Rhode Island. It is a subsidiary of Citizens Financial Group, Inc., a wholly-owned subsidiary of Defendant Royal Bank of Scotland Group plc.

49. Defendant Citizens Bank of Massachusetts was merged into and subsequently operated as part of RBS Citizens, National Association in Providence, Rhode Island.

50. Defendant Citizens Bank of Pennsylvania is a national banking association organized under the laws of Pennsylvania and headquartered in Philadelphia, Pennsylvania. It is a subsidiary of Citizens Financial Group, Inc. a wholly-owned subsidiary of Defendant Royal Bank of Scotland Group plc.

51. Defendant RBS Citizens, NA, formerly known as Citizens Bank of Massachusetts, is a national banking association organized under the laws of Maryland and headquartered in Providence, Rhode Island.

52. The entities identified in paragraphs 27-52 are referred to collectively as the "Securities Dealer Defendants."

53. Each of the Securities Dealer Defendants joined and furthered the conspiracy by selling LIBOR-based instruments and securities at elevated prices and that paid depressed rates of interest as a result of the misconduct alleged herein, to the direct benefit of their corporate parents that manipulated LIBOR.

54. The LIBOR Panel Defendants agreed to manipulate LIBOR on behalf of, and reported this manipulation to, their respective corporate families. As a result, the entire corporate family was represented in these meetings and discussions by their agents and were parties to the agreements reached in them. Furthermore, to the extent that subsidiaries or affiliates within the corporate families sold LIBOR-based instruments and securities to buyers such as Plaintiffs, these subsidiaries and affiliates played a significant role in the conspiracy. Thus, all entities within the corporate families that were engaged in the setting of LIBOR or the marketing, sale and distribution of such LIBOR-based instruments and securities were active, knowing participants in the alleged conspiracy.

FACTUAL ALLEGATIONS

A. LIBOR Was The Touchstone Of The Represented Rates Of Return On The LIBOR-Based Instruments And Securities Plaintiffs And Other Investors Purchased During The Relevant Period.

55. LIBOR is a set of reference or benchmark interest rates priced to different ranges of maturity, from overnight to one year. Thomson/Reuters calculates LIBOR each business day on behalf of the BBA, which first began setting LIBOR on January 1, 1986. The BBA establishes LIBOR based on the rates 16 major international banks, including the LIBOR Panel Defendants, reported as their costs of borrowing. The banks inform the BBA of their costs of borrowing funds at different maturity dates (e.g., one month, three months, six months). The BBA discards the upper four and lower four quotes and sets LIBOR by calculating the mean value of the remaining middle eight quotes, known as an "inter-quartile" methodology. The BBA then publishes LIBOR, also reporting the quotes on which it based the LIBOR calculation.

56. LIBOR serves a crucial role in the operation of financial markets. For example, market participants commonly set the interest rate on floating-rate notes as a spread against LIBOR (e.g., "LIBOR + [X] bps"). Market participants also use LIBOR as a basis to determine the correct rate of return on short-term fixed-rate notes. Additionally, the pricing and settlement of Eurodollar futures and options, the most actively traded interest rate futures contracts on the Chicago Mercantile Exchange, are based on the three-month LIBOR. LIBOR thus affects the pricing of trillions of dollars' worth of financial transactions. As alleged below, Plaintiffs purchased tens of billions of dollars worth of LIBOR-based instruments and securities from Defendants and other issuers during the Relevant Period.

B. Defendants Manipulated LIBOR During The Relevant Period.

57. Throughout the Relevant Period Defendants and other members of the U.S. dollar LIBOR panel conspired to suppress LIBOR below levels at which it would have been set had they accurately reported their costs of borrowing. As explained below, Defendants' scheme is evidenced in the aberrant behavior of LIBOR and the rates the LIBOR Panel Defendants reported, which tended to "bunch" near the bottom quartile of the collection of reported rates used to set LIBOR and did not properly correlate with other simultaneous economic measures of

Defendants' costs of borrowing, such as credit default swap ("CDS") insurance premiums and the Eurodollar Bid Rate.

1. Defendants Commenced Their Scheme In 2007 And Perpetuated It Amid Isolated Expressions of Concern By Some Market Participants.

58. In November 2007, a concern arose among some in the U.K. banking community that the members of the U.S. dollar LIBOR panel, including the LIBOR Panel Defendants, might be understating their true costs of borrowing, thus causing LIBOR to be set artificially low. Some U.K. banks raised their concerns at a meeting of the Bank of England that month.

59. In response to those concerns, specifically "anecdotal evidence gathered from conversation with market participants … that the rates quoted and paid by banks on their interbank borrowing tended to vary more than usual (and by more than what appears in the LIBOR panel) during the turbulence," the Bank for International Settlements ("BIS") in Spring 2008 produced a study of the U.S. dollar LIBOR ("USD-LIBOR"). Overnight-indexed swaps ("OIS") are viewed as virtually risk-free, so the positive difference between LIBOR and interest rates on those swaps should reflect the credit risk of the quoting banks. Specifically, the BIS examined two values: (i) the difference, or "spread," between USD-LIBOR and OIS; and (ii) the BIS compared the LIBOR-OIS spread to the cost of CDS insurance on the debt of the BBA panel banks. Absent manipulation, those two values should exhibit a stable relationship, because they both depend on the same thing: the credit risk of the quoting banks.

60. Contrary to that expectation, the BIS found an unusually "loose" relationship between CDS premiums and the LIBOR-OIS spread, beginning in August 2007 and continuing at least into 2008, when the BIS published its findings. During that time, CDS premiums led the LIBOR-OIS spread in an upward trend. In other words, the cost of CDS insurance on the debt of the panel banks increased more swiftly than the difference between LIBOR and interest rates on OIS, when the two values should have behaved similarly.

61. On May 29, 2008, The Wall Street Journal published the results of a study it had commissioned comparing the quotes of LIBOR panel banks with the contemporaneous cost of

buying default insurance (i.e., a CDS) on the banks' debt.[1] The Journal found that beginning in January 2008, "the two measures began to diverge, with reported LIBOR rates failing to reflect rising default-insurance costs." The Journal further found that the widest gaps existed with respect to the LIBOR quotes of Citibank, WestLB, HBOS, JP Morgan and UBS.

62. The Journal also compared the banks' LIBOR quotes to their actual costs of borrowing in the commercial paper market. The Journal reported, for example, that in mid-April 2008, UBS paid 2.85% to borrow dollars for three months; but on April 16, 2008, UBS reported a borrowing cost of 2.73% to the BBA as its LIBOR reference quote.

63. The Journal further reported an uncanny equivalence between the banks' LIBOR quotes: the three-month borrowing rates the banks reported remained within a range of only 0.06 of a percentage point, even though at the time their CDS insurance costs (premiums) varied much more widely, reflecting the market's differing views as to the banks' creditworthiness. The Journal quoted Stanford University professor Darrell Duffie, who described the unity of the banks' LIBOR quotes as "far too similar to be believed." Calculating an alternate borrowing rate incorporating CDS spreads the Journal estimated that underreporting of LIBOR had a $45 billion effect on the market, representing the amount borrowers (the banks) did not pay to lenders (investors in debt securities issued by the banks) that they would otherwise have had to pay.

64. In May 2008, following the Journal's reports, Tim Bond, the head of asset-allocation research at Barclays, admitted "the rates the banks were posting to the BBA became a little divorced from reality" during 2007-2008, adding:

> We had one week in September where our treasurer, who takes his responsibilities pretty seriously, said, "Right, I've had enough of this, I'm going to quote the right rates". All we got for our pains was a series of media articles saying that we were having difficulty financing.[2]

65. In a report published mid-April 2008 entitled "Is LIBOR Broken?", Citibank's Scott Peng, an interest rate analyst, wrote "Libor at times no longer represents the level at which

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[1] Mollenkamp & Whitehouse, "Study Casts Doubt on Key Rate --- WSJ Analysis Suggests Banks May Have Reported Flawed Interest Data for LIBOR," The Wall Street Journal, May 29, 2008.

[2] http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/2790833/Libor-credibility-questioned-by-Barclays-strategist.html.

banks extend loans to others." He concluded that LIBOR was suppressed by 30 basis points ("bps").[3] Peng resigned approximately one year later. Reports of his resignation referenced his disclosures about LIBOR. On April 18, 2008, Credit Suisse's William Porter, a credit strategist, estimated an even greater suppression: 40 bps (as reported that day by the Journal).

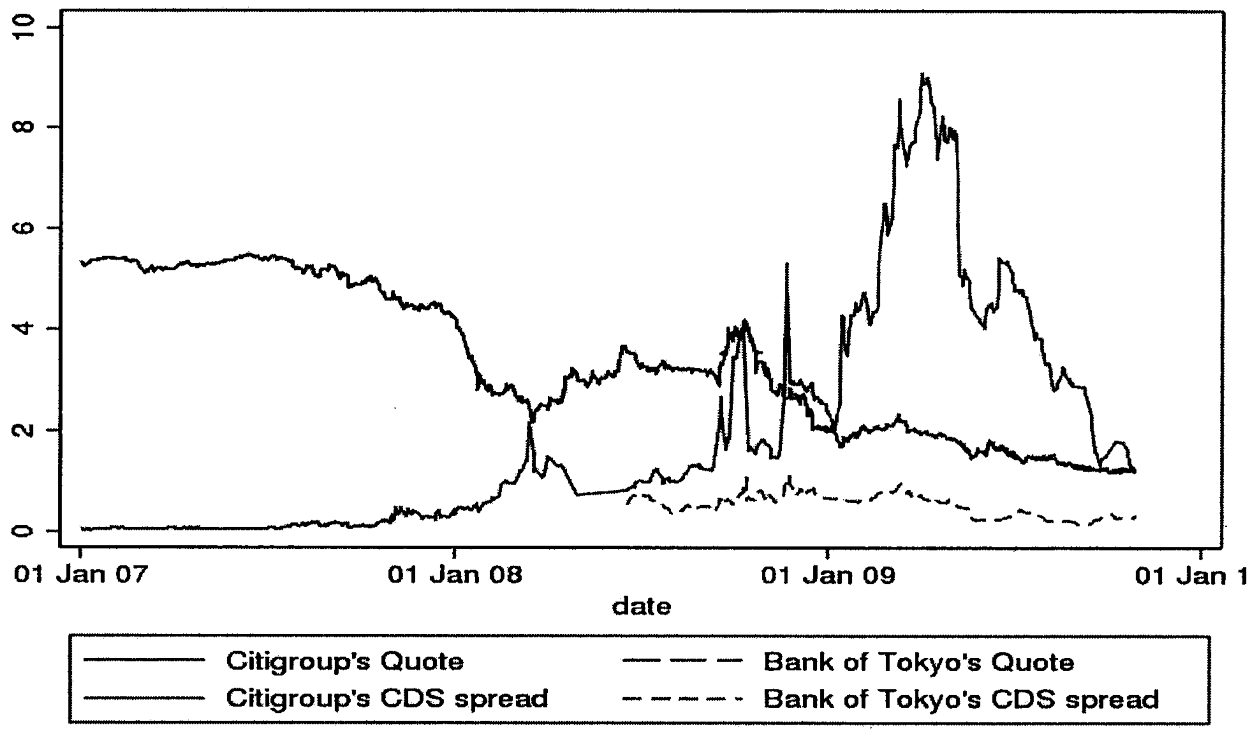
66. On April 3, 2008, the Bank of England money-market committee held a meeting of U.K. banks. The minutes of that meeting state: "U.S. Dollar Libor rates had at times appeared lower than actual traded interbank rates."

67. Right after the Journal's original April 16, 2008 article, the LIBOR panel banks raised their quotes, causing LIBOR to log its biggest increase since August 2007, falsely and misleadingly signaling that any improper reporting of false rates that may have previously occurred had ended.

2. The Discrepancy Between Defendants' Reported LIBOR Quotes And Their CDS Spreads Evinces Defendants' Improper Scheme.

68. Despite the reporting in 2008 described above, the LIBOR Panel Defendants continued to give LIBOR quotes that in fact deviated from their costs of borrowing as reflected in CDS spreads. Citibank, for example, reported rates virtually identical to those of the Bank of Tokyo-Mitsubishi, another U.S. dollar LIBOR panel member, even though the banks had vastly different costs of borrowing, as implied by the respective costs of CDS insurance on their debt.

[3] 100 basis points equal 1%.

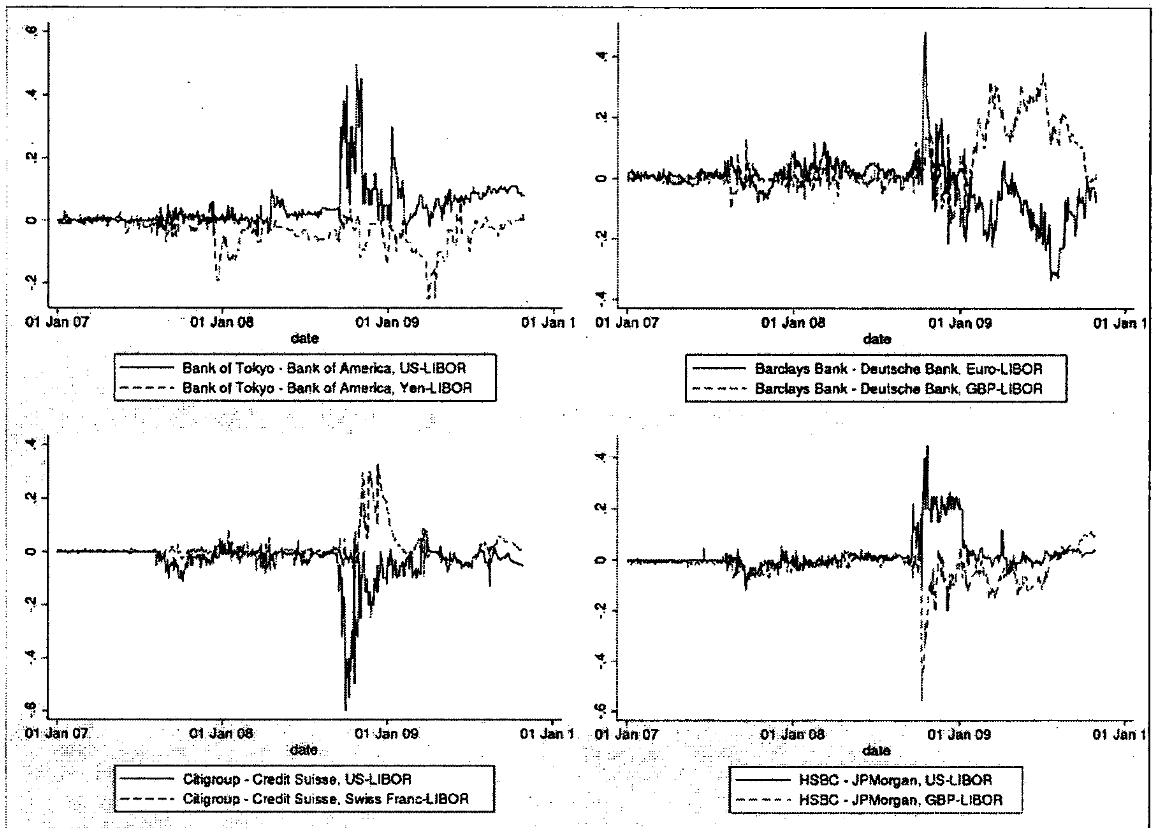


69. Indeed, during much of 2009, Citibank's panel quote was, anomalously, *lower* than the premiums on its CDS, which if true would mean anyone lending to Citibank at interbank rates would, after purchasing CDS insurance, incur a 5% *loss*. That discrepancy contravenes basic rules of economics and finance, thus indicating that Citibank underreported its borrowing costs to the BBA.

3. **<u>Deviations Among Banks Participating In The Same Currencies Indicates That Defendants Manipulated LIBOR.</u>**

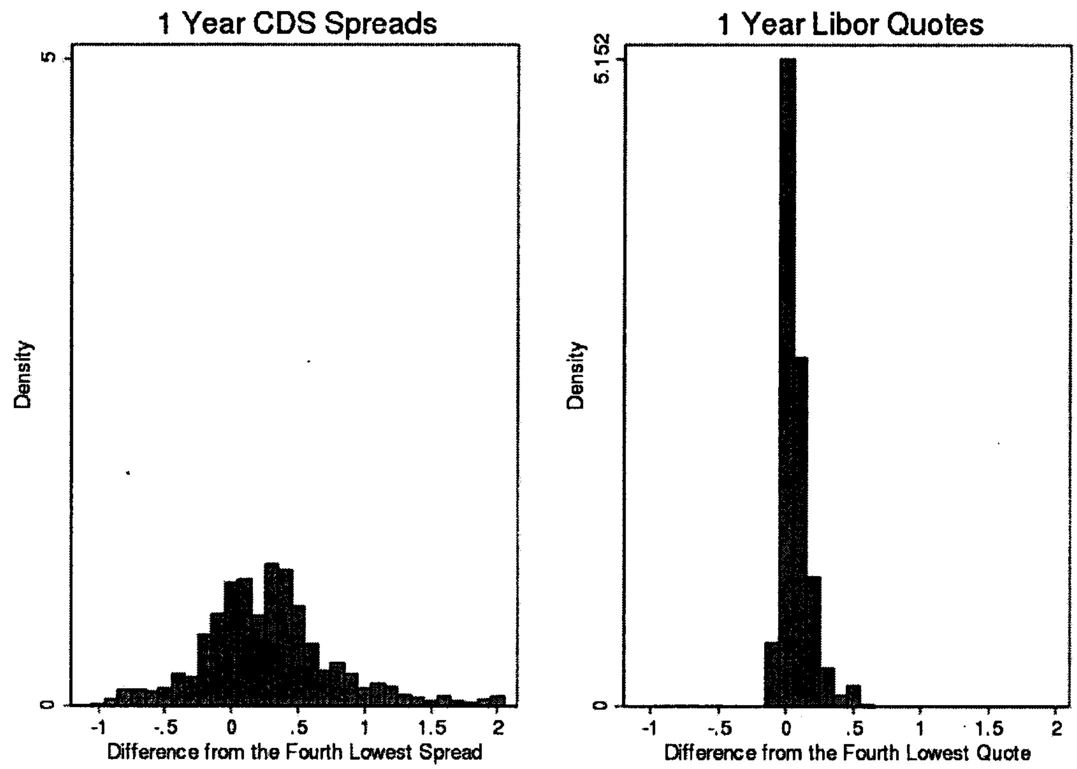
70. The LIBOR Panel Defendants' reported rates also displayed inexplicable ranking anomalies. Specifically, the LIBOR Panel Defendants reported lower rates on USD-LIBOR than did their colleagues on the panel, yet, for other currencies, provided higher rates than did those same other banks. Both Bank of America and Bank of Tokyo, for instance, quoted rates for the USD-LIBOR and Yen-LIBOR during the period under study, yet Bank of America quoted a lower rate than Bank of Tokyo on USD LIBOR and a *higher* rate than Bank of Tokyo on Yen-LIBOR. Other banks suspected of rate manipulation displayed similar anomalies across currencies, as the graphs below demonstrate. Citibank, for example, often reported rates at the top of the Yen-LIBOR scale while simultaneously quoting rates at the bottom of the USD-LIBOR

scale. Those discrepancies make no economic sense: an enormous financial institution like Citibank is not substantially more or less creditworthy for purposes of borrowing yen versus dollars.



4. <u>Quote-Bunching</u>

71. The LIBOR Panel Defendants' LIBOR quotes also demonstrate anomalous "bunching" around the fourth-lowest rate submitted by the 16 reference banks to the BBA every day. As the graphs below demonstrate, during the Relevant Period the rates reported by the LIBOR Panel Defendants tended to "bunch" around the fourth-lowest quote much more commonly than the CDS spreads of the banks tended to "bunch" around the fourth-lowest spread. That discrepancy defies common economic reasoning, which indicates that the distribution of rates and CDS spreads should be the same or very similar. The rates reported by Citibank and Bank of America, in particular, often tended to be identical to the fourth-lowest quote.



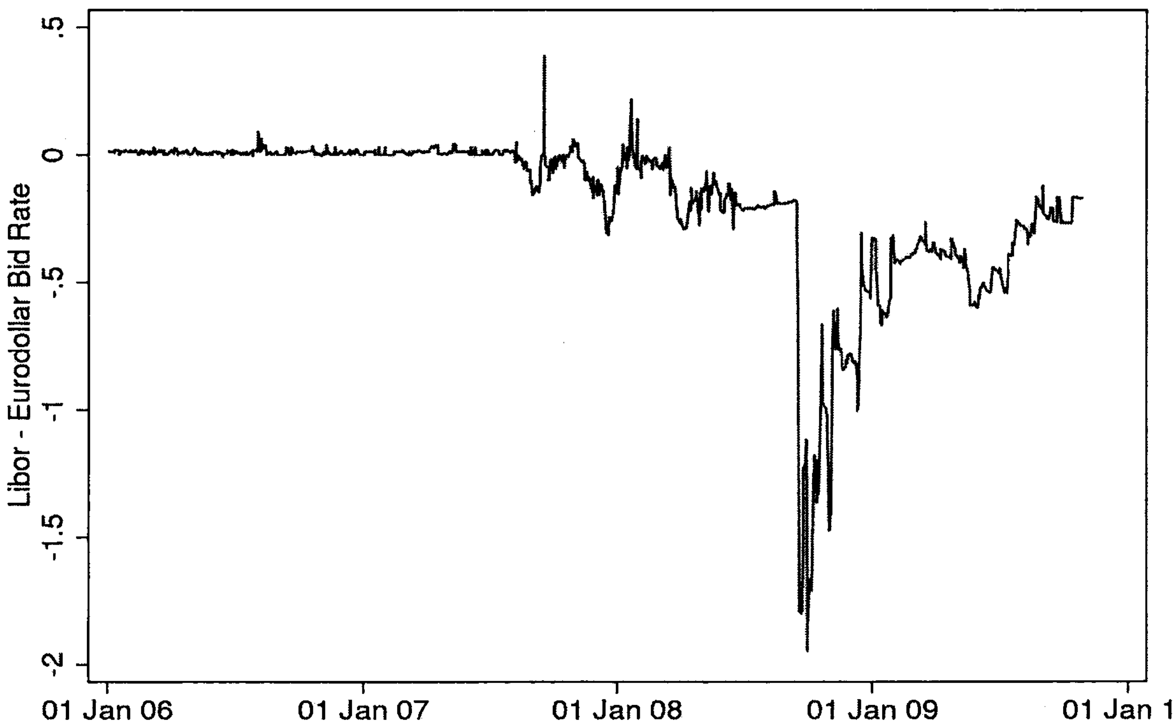
72. Given the method by which the BBA calculates LIBOR—discarding the highest and lowest reported rates and averaging the remainder—that high concentration around the fourth-lowest rate is exactly what would occur if a number of banks sought in concert to depress LIBOR.

5. **The Anomalous Eurodollar Bid Rate-LIBOR Spread Beginning After August 2007 Also Reflects Defendants' Scheme.**

73. Defendants' conduct also caused LIBOR to break its historic—and economically dictated—relationship with the Eurodollar Bid Rate. "Eurodollars" are time-deposits for dollars located outside the United States. The "Eurodollar Bid Rate" is the rate of interest offered on such deposits. In other words, it is the rate offered to attract dollars, whereas LIBOR is, essentially, the rate asked of a party seeking dollars. Thus, before August 2007, the previous day's Eurodollar Bid Rate was closely aligned with, and was a good predictor of, LIBOR. The Eurodollar Bid Rate had usually tracked 6-12 bps below LIBOR, suggesting something like a bid-ask spread. Thus, if, hypothetically, the Eurodollar Bid Rate were 2.5%, one would expect LIBOR that same day to fall between 2.56% and 2.62%.

74. After August 2007, however, that relationship broke down: the spread inverted, with LIBOR skewing lower than the Eurodollar Bid Rate by substantial amounts through 2009. The Eurodollar Bid Rate no longer predicted LIBOR; the prior-day's LIBOR became a much better predictor. An analysis of the Eurodollar Bid Rate over time implies that LIBOR continued to be understated by as much as 30-40 basis points through 2009.

75. The following shows the breakdown of the relationship between the Eurodollar Bid Rate and LIBOR from 2007 to 2009.



C. Defendants Possessed Strong Incentives to Manipulate LIBOR.

76. Defendants each had a substantial financial incentive to manipulate LIBOR because each had billions of dollars in exposures to movements in interest rates. Citibank, Bank of America and JPMorgan, for instance, reported billions of dollars (notional) in interest rate swaps during the period under study; even a small unhedged exposure to interest rates would have had a substantial effect on revenues. Indeed, all three banks reported increased net interest revenues in the first quarter of 2009, when LIBOR fell dramatically. Similarly, in 2009 Citibank reported it would make $936 million in net interest revenue if rates would fall by 25 bps per quarter over the next year and $1.935 billion if they fell 1% instantaneously. JP Morgan also

reported significant exposure to interest rates in 2009: it predicted that if interest rates increased by 1%, it would lose over $500 million. HSBC and Lloyds also predicted they would earn hundreds of millions of additional dollars in 2008-2009 in response to lower interest rates, and lose comparable amounts in response to higher rates. These banks collectively earned billions in net interest revenues during the Relevant Period. Underreporting the banks' costs of borrowing also had the benefit of disguising the true risks to their solvency and liquidity during a time of economic crisis and intense political pressure.

D. Defendants' Misconduct Has Incited Numerous Pending Government Investigations.

77. Numerous regulators, professional organizations, analysts and news agencies recently have begun investigating the LIBOR Panel Defendants' reported LIBOR rates.

78. On March 15, 2011, UBS disclosed that it had received subpoenas from the SEC, the Commodity Futures Trading Commission ("CFTC") and the DOJ seeking information concerning "whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate LIBOR at certain times." UBS reported that the Japanese Financial Supervisory Agency also requested information relating to UBS's LIBOR self-reporting.

79. On March 15, 2011, the *Financial Times* reported that the U.K.'s Financial Services Authority ("FSA") had requested similar information from UBS.

80. The *Financial Times* also reported that Bank of America, Citibank and Barclays had received subpoenas from the FSA and that "[a]ll the [BBA] panel members are believed to have received at least an informal request for information[.]"

81. Lloyds Banking Group, Barclays, and RBS have also disclosed that they are subjects of the FSA's investigation.

82. On July 26, 2011, news sources reported that UBS had disclosed that it had received a grant of conditional leniency from the DOJ in exchange for cooperating with the DOJ's investigation into LIBOR manipulation. UBS has received conditional leniency pursuant to the Antitrust Criminal Penalties Enhancement and Reform Act and the DOJ's Corporate Leniency Policy. Under that policy, the DOJ only grants leniency to corporations that report actual illegal activity.

E. Plaintiffs Have Suffered Significant Harm As A Result of Defendants' Misconduct.

83. Throughout the Relevant Period, Defendants' manipulation of LIBOR caused damage to Plaintiffs. All told, Defendants' conduct affected the value of tens of billions of dollars in LIBOR-based instruments and securities Plaintiffs held or purchased. Most of those securities and instruments fell into one of the following categories.

84. Floating-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by Defendants. Throughout the Relevant Period, Plaintiffs bought floating-rate notes from and issued by Defendants. These notes paid a rate of return based on LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes than they would have if LIBOR had been properly set. Plaintiffs relied on the accuracy of LIBOR in undertaking these transactions.

85. Floating-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by entities other than Defendants. Throughout the Relevant Period, Plaintiffs bought floating-rate notes from and issued by entities other than Defendants, e.g. short-term commercial paper. As is well-known to sophisticated market participants like Defendants, these notes are affected by, and pay returns based on, LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes than they would have if LIBOR had been properly set. Plaintiffs relied on the accuracy of LIBOR in undertaking these transactions.

86. Fixed-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by Defendants. Throughout the Relevant Period, Plaintiffs bought fixed-rate notes from and issued by Defendants. These notes paid a fixed rate of return. However, the price of these notes and the fixed rate or return were determined based on LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes and/or pay more for them than they would have if LIBOR had been properly set. Plaintiffs relied on the accuracy of LIBOR in undertaking these transactions.

87. Fixed-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by entities other than Defendants. Throughout the Relevant Period, Plaintiffs bought

fixed-rate notes from and issued by entities other than Defendants. As is well-known to sophisticated market participants like Defendants, these notes are priced off of, and pay returns based on, LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes than they would have if LIBOR had been properly set.

FRAUDULENT CONCEALMENT

88. Plaintiffs had neither actual nor constructive knowledge of the facts supporting their claims for relief despite diligence in trying to discover the pertinent facts. Plaintiffs did not discover, and could not have discovered through the exercise of reasonable diligence, the existence of the conspiracy alleged herein until 2011, when investigations by the DOJ and other antitrust regulators became public. Defendants engaged in a secret conspiracy that did not give rise to facts that would put Plaintiffs on inquiry notice that there was a conspiracy to manipulate LIBOR.

CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

Violation of Section 1 of the Sherman Act, 15 U.S.C. § 1

89. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

90. Defendants entered into and engaged in a conspiracy in unreasonable restraint of trade in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

91. During the Relevant Period, Defendants controlled what LIBOR rate would be reported and therefore controlled prices in the market for securities and contracts paying returns based on LIBOR. Defendants competed in this market.

92. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained or made artificial prices for LIBOR-based instruments and securities. Defendants' conspiracy constitutes a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade.

93. Defendants' conspiracy, and the resulting impact on the market for LIBOR-based instruments and securities, occurred in and affected interstate and international commerce.

94. As a proximate result of Defendants' unlawful conduct, Plaintiffs have suffered injury to their business or property.

95. Plaintiffs are entitled to treble damages for the violations of the Sherman Act alleged herein.

SECOND CLAIM FOR RELIEF

Interference with Economic Advantage (under California Law)

96. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

97. As set forth in this Complaint, Defendants manipulated LIBOR in violation of federal and state law.

98. An economic relationship existed between Plaintiffs and issuers of LIBOR-based instruments and securities, which obligated the issuers to make payments to Plaintiffs at a rate dependent on LIBOR.

99. Defendants' unlawful manipulation of LIBOR interfered with and disrupted that relationship by defeating the parties' expectations that LIBOR would be set honestly and accurately and would provide a fair benchmark for those securities. As a result, Plaintiffs received lower payments on those securities than they otherwise would have, and overpaid for the securities, and were damaged thereby.

100. Defendants acted with the knowledge that interference or disruption of Plaintiffs' relationships with issuers of securities indexed to LIBOR were certain or substantially certain to result from Defendants' unlawful manipulation of LIBOR.

THIRD CLAIM FOR RELIEF

Violation of Section 17200 of the California Business and Professions Code (Unfair Business Practices)

101. Defendants have engaged in fraudulent, unfair and illegal conduct in violation of Section 17200 of the California Business and Professions Code ("Section 17200"). Defendants'

conduct was substantially injurious to Plaintiffs.

102. Defendants' business acts and practices, as alleged herein, constituted—and still constitute—a continuous course of unfair competition by means of unfair, unlawful or fraudulent business acts or practices in violation of Section 17200, including the following:

a. the violations of the antitrust, securities, wire fraud, mail fraud, bank fraud, racketeering and other laws as set forth herein;

b. Defendants' unfair business acts and practices, which induced investors, including Plaintiffs, to purchase and retain the LIBOR-based instruments and securities Defendants or others issued based on falsely-set LIBOR rates, and Defendants' materially false and misleading statements about their costs of borrowing, made with knowledge or reckless disregard that they were materially false or misleading when made.

103. Defendants' business acts and practices, as alleged herein, have caused Plaintiffs to purchase and retain the subject LIBOR-based instruments and securities and, as a result, to suffer losses.

104. Plaintiffs are entitled to full relief, including full restitution or disgorgement of all revenues, earnings, profits, compensation and benefits Defendants may have obtained as a result of such business, acts or practices, and an injunction mandating that Defendants cease and desist from engaging in the practices described herein.

FOURTH CLAIM FOR RELIEF

Fraud, Deceit and Concealment (under Sections 1572, 1709 and 1710 of the California Civil Code)

105. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

106. Plaintiffs purchased LIBOR-based instruments and securities issued by Defendants and other entities. Those included floating-rate notes where Defendants paid interest rates based on LIBOR, and fixed-rate notes where the parties determined the fixed rate of interest by referencing LIBOR.

107. Defendants made numerous statements to Plaintiffs to induce them to purchase those notes and other financial instruments.

108. Contemporaneous with Plaintiffs' purchases, Defendants gave public quotes to the BBA of their supposed costs of borrowing.

109. In fact, Defendants' quotes to the BBA did not reflect their true costs of borrowing but instead reflected Defendants' scheme to unlawfully manipulate LIBOR.

110. Defendants never disclosed to Plaintiffs the inaccuracy of their quotes to the BBA or that Defendants had manipulated LIBOR to cause it to be lower than it should have been, and perpetrated an ongoing conspiracy to do so.

111. The inaccuracy of Defendants' reported quotes and their scheme to manipulate LIBOR were material facts of which Plaintiffs were unaware. If Defendants had disclosed those facts, Plaintiffs would not have purchased the subject securities, or at least would have demanded appropriately higher interest rates on those securities. Plaintiffs relied on the accuracy of Defendants' quotes, on the accuracy of LIBOR, and on the other statements by Defendants that did not include these material omissions.

112. Defendants' concealment of the inaccuracy of their reported quotes and their scheme to manipulate LIBOR damaged Plaintiffs because Plaintiffs received lower returns (via lower interest rates) than they would have had LIBOR been accurately and honestly set, or had Plaintiffs purchased securities not paying interest as a function of LIBOR.

FIFTH CLAIM FOR RELIEF

Violation of Section 11 of the Securities Act of 1933, 15 U.S.C. § 77k

113. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

114. For purposes of this claim, Plaintiffs expressly disclaim and exclude any allegations that could be construed as alleging fraud or intentional or reckless misconduct, as this cause of action is based expressly on claims of strict liability or negligence under the Securities Act.

115. Plaintiffs bring this claim in connection with all LIBOR-based notes or other

securities Plaintiffs purchased in offerings during the Relevant Period.

116. Each Defendant filed registration statements and other related documents in connection with each of the subject offerings.

117. Those registration statements and other related documents contained materially false statements of fact, or omitted to state facts necessary to make the statements therein not misleading. Specifically, the documents omitted to state that Defendants, as set forth above, had manipulated LIBOR in a downward direction by providing inaccurate quotes to the BBA and that Defendants perpetuated an ongoing scheme to continue their manipulation. Moreover, representations in the subject registration statements and related documents that the interest rates for the subject securities would be based on LIBOR were false or misleading as a result of Defendants' manipulation of LIBOR. Thus references to "LIBOR" in those documents constitute affirmative misstatements.

118. None of the Defendants made a reasonable investigation or possessed reasonable grounds to believe that the statements contained in the registration statements were true or that there was no omission of material facts necessary to make the statements made therein not misleading.

119. By reason of the conduct herein alleged, each Defendant violated Section 11 of the Securities Act.

120. As a direct and proximate result of Defendants' acts and omissions in violation of the Securities Act, the prices or values of the notes and other securities sold in the subject offerings were artificially inflated, and Plaintiffs suffered substantial damage in connection with their ownership of those securities.

121. As issuers of the subject securities, each Defendant is strictly liable to Plaintiffs for the material omissions identified above.

122. Plaintiffs obtained the subject securities without knowledge of the facts concerning the misstatements or omissions alleged herein.

123. This action is brought within one year after discovery of the untrue statements and omissions should have been made through the exercise of reasonable diligence, and within three

years of the effective date of the subject registration statements.

124. Plaintiffs are entitled to damages under Section 11 from each Defendant, as measured by the provisions of Section 11(e).

SIXTH CLAIM FOR RELIEF

Violation of Section 12(a)(2) of the Securities Act of 1933

125. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

126. For purposes of this claim, Plaintiffs expressly disclaim and exclude any allegations that could be construed as alleging fraud or intentional or reckless misconduct, as this cause of action is based expressly on claims of strict liability or negligence under the Securities Act.

127. Defendants were sellers, offerors, underwriters or solicitors of sales of securities issued by Defendants to Plaintiffs through prospectuses or oral communications during the Relevant Period.

128. The prospectuses or oral communications contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and concealed and failed to disclose material facts. Defendants' actions of solicitation included participating in the preparation of the false and misleading prospectuses or oral communications.

129. Defendants owed to the purchasers of the subject securities, including Plaintiffs, the duty to make a reasonable and diligent investigation of the statements contained in the prospectuses or oral communications, to insure that such statements were true and that there was not omission to state a material fact required to be stated in order to make the statements contained therein not misleading. Defendants knew of, or in the exercise of reasonable care should have known of, the misstatements and omissions contained in the prospectuses or oral communications, as set forth above.

130. Plaintiffs purchased or otherwise acquired securities pursuant to or traceable to the defective prospectuses or oral communications. Plaintiffs did not know, nor in the exercise of

reasonable diligence could have known, of the untruths and omissions.

131. Plaintiffs hereby offer to tender to Defendants those securities Plaintiffs continue to own, in return for the considerations paid for those securities, together with interest thereon.

132. By reason of the conduct alleged herein, Defendants violated, or controlled a person who violated, Section 12(a)(2) of the Securities Act. Accordingly, Plaintiffs have the right to rescind and recover the consideration paid for the subject securities and hereby elect to rescind and tender those securities to Defendants. Plaintiffs are entitled to rescissionary damages with respect to those subject securities they have sold.

133. Less than three years have elapsed from the time that the securities upon which this count is brought were sold to the public to the time of the filing of this action. Less than one year has elapsed from the time when Plaintiffs discovered or reasonably could have discovered the facts upon which this count is based to the time of the filing of this action.

SEVENTH CLAIM FOR RELIEF

Violation of Section 15 of the Securities Act of 1933, 15 U.S.C. § 77o

134. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

135. This cause of action is being brought under Section 15 of the Securities Act, 15 U.S.C. §77o, against the LIBOR Panel Defendants. This Count is based solely on strict liability and negligence, and does not sound in fraud. Any allegations of fraud or fraudulent conduct or motive are specifically excluded. For purposes of asserting this and its other claims under the Securities Act, Plaintiffs do not allege that the LIBOR Panel Defendants acted with intentional, reckless or otherwise fraudulent intent.

136. Each of the LIBOR Panel Defendants, by virtue of its position as a parent company or otherwise controlling entity of one or more of the Securities Dealer Defendants, was a control person of one or more of the Securities Dealer Defendants.

137. As a result, the LIBOR Panel Defendants are liable under Section 15 of the Securities Act for the Securities Dealer Defendants' primary violations of Sections 11 or 12(a)(2)

of the Securities Act.

EIGHTH CLAIM FOR RELIEF

Violation of Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 Thereunder

138. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

139. Beginning in 2007, Defendants carried out a plan, scheme and course of conduct that was intended to and did: (i) deceive the investing public, including Plaintiffs, as alleged herein; and (ii) cause Plaintiffs to purchase securities at artificially inflated prices. In furtherance of their unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

140. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business that operated as a fraud and deceit on the purchasers of the their securities in an effort to cause LIBOR to be set at an artificially low rate, which in turn allowed Defendants to pay lower interest rates on the notes and other securities Plaintiffs acquired from Defendants and other issuers, in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

141. Defendants, directly and indirectly, by the use, means or instrumentalities of interstate commerce or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the manipulation of LIBOR as specified herein.

142. Defendants employed devices, schemes and artifices to defraud while in possession of material adverse non-public information, and engaged in acts, practices and a course of conduct as alleged herein in an effort to secretly manipulate LIBOR, which included the making of, or participation in the making of, untrue statements of material facts and omitting to state material facts necessary to make Defendants' statements during the Relevant Period—including their representations that the rates of the securities Defendants sold to Plaintiffs were based on LIBOR—in the light of the circumstances under which they were made, not misleading,

as set forth more particularly herein. Moreover, Defendants engaged in transactions, practices and a course of business that operated as a fraud and deceit upon the purchasers of the subject securities during the Relevant Period, including Plaintiffs.

143. Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to Defendants. Defendants perpetrated such material misrepresentations or omissions knowingly or recklessly and for the purpose and effect of concealing Defendants' manipulation of LIBOR from the investing public, including Plaintiffs, and allowing Defendants to reap improper gains by failing to pay to Plaintiffs the true (higher) rates on the subject securities.

144. As a result of Defendants' dissemination of materially false and misleading information and their failure to disclose material facts, as set forth above, Defendants caused LIBOR to be artificially low during the Relevant Period. The artificially depressed LIBOR rates caused the interest rates on the subject securities (which were based on the artificially low LIBOR rates) to be correspondingly, and artificially, low, which deprived Plaintiffs of returns they otherwise would have realized on those securities. In ignorance of those facts, and reasonably relying directly or indirectly on Defendants' false and misleading statements, or on the integrity of the market in which the securities traded, or on the absence of material adverse information that Defendants knew or recklessly disregarded but was not disclosed by Defendants during the Relevant Period, Plaintiffs acquired notes and other LIBOR-based securities during the Relevant Period and received lower payments on those securities than they otherwise would have.

145. At the time of said misrepresentations and omissions, Plaintiffs were unaware the misrepresentations and omissions were false or misleading, and believed them to be true. Had Plaintiffs known the truth regarding Defendants' manipulation of LIBOR, which Defendants did not disclose, Plaintiffs would not have purchased or otherwise acquired the subject securities, or at least would have demanded appropriately higher interest rates on those securities.

146. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs suffered damages in connection with their purchases of the subject securities during the Relevant

Period.

147. This action was filed within two years of discovery of the facts constituting the violation and within five years of the violation.

NINTH CLAIM FOR RELIEF

Violation of Section 20(a) of the Securities Exchange Act of 1934

148. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

149. The LIBOR Panel Defendants acted as controlling persons of the Securities Dealer Defendants within the meaning of Section 20(a) of the Exchange Act as alleged herein. Each of the LIBOR Panel Defendants, by virtue of its position as a parent company or otherwise controlling entity of one or more of the Securities Dealer Defendants, was a control person of one or more of the Securities Dealer Defendants, possessing the power and authority to cause one or more of the Securities Dealer Defendants to engage in the wrongful conduct complained of herein. The LIBOR Panel Defendants were provided with or had unlimited access to copies of the statements alleged by Plaintiffs to be misleading prior to and/or shortly after those statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

150. As set forth above, the Securities Dealer Defendants (as well as the LIBOR Panel Defendants) each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By reason of such conduct, the LIBOR Panel Defendants are liable under Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs suffered damages in connection with their purchases of the subject securities during the Relevant Period.

TENTH CLAIM FOR RELIEF

Violation of the Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. §§ 1961 *et seq.*

151. Plaintiffs incorporate by reference and reallege the preceding allegations as though

fully set forth herein.

Defendants Engaged In Conduct Actionable Under RICO.

152. 18 U.S.C. § 1962(c) makes it illegal for "any person employed by or associated with any enterprise engaged in, or the activities of which affect, interstate or foreign commerce, to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity or collection of unlawful debt."

153. 18 U.S.C. § 1962(d), in turn, makes it "unlawful for any person to conspire to violate any of the provisions of subsection (a), (b), or (c) of this section."

154. Under 18 U.S.C. § 1961(1), and as applicable to Section 1962, "racketeering activity" means (among other things) acts indictable under certain sections of Title 18, including 18 U.S.C. § 1341 (relating to mail fraud), 18 U.S.C. § 1343 (relating to wire fraud), and 18 U.S.C. § 1344 (relating to financial institution fraud).

155. 18 U.S.C. § 1961(5) provides that, to constitute a "pattern of racketeering activity," conduct "requires at least two acts of racketeering activity, one of which occurred after the effective date of this chapter and the last of which occurred within ten years (excluding any period of imprisonment) after the commission of a prior act of racketeering activity."

156. 18 U.S.C. § 1961(3) defines "person" as "any individual or entity capable of holding a legal or beneficial interest in property," and 18 U.S.C. § 1961(4) defines "enterprise" as "any individual, partnership, corporation, association, or other legal entity, and any union or group of individuals associated in fact although not a legal entity."

157. 18 U.S.C. § 1341, the mail fraud statute invoked by 18 U.S.C. § 1961(1) as a predicate act, makes it unlawful to have "devised or intend[ed] to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, or to sell, dispose of, loan, exchange, alter, give away, distribute, supply, or furnish or procure for unlawful use any counterfeit or spurious coin, obligation, security, or other article, or anything represented to be or intimated or held out to be such counterfeit or spurious article, for the purpose of executing such scheme or artifice or attempting so to do, places in any post office or authorized depository for mail matter, any matter or thing

whatever to be sent or delivered by the Postal Service, or deposits or causes to be deposited any matter or thing whatever to be sent or delivered by any private or commercial interstate carrier, or takes or receives therefrom, any such matter or thing, or knowingly causes to be delivered by mail or such carrier according to the direction thereon, or at the place at which it is directed to be delivered by the person to whom it is addressed, any such matter or thing, shall be fined under this title or imprisoned not more than 20 years, or both. If the violation affects a financial institution, such person shall be fined not more than $1,000,000 or imprisoned not more than 30 years, or both."

158. 18 U.S.C. § 1343, the wire fraud statute invoked by 18 U.S.C. § 1961(1) as a predicate act, provides that "[w]hoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, transmits or causes to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, shall be fined under this title or imprisoned not more than 20 years, or both."

159. 18 U.S.C. § 1344, the federal bank fraud statute invoked by 18 U.S.C. § 1961(1) as a predicate act, states:

> Whoever knowingly executes, or attempts to execute, a scheme or artifice –
>
> 1. to defraud a financial institution, or
>
> 2. to obtain any of the moneys, funds, credits, assets, securities, or other property owned by, or under the custody or control of, a financial institution, by means of false or fraudulent pretenses, representations, or promises shall be fined not more than $1,000,000 or imprisoned for not more than 30 years, or both.

160. At all relevant times, Defendants, including the employees who conducted Defendants' affairs through illegal acts (including by communicating false interest rate quotes to the BBA or directing other employees to do so) were "person[s]" within the meaning of 18 U.S.C. § 1961(4), with a definable corporate structure and a hierarchy of corporate direction and control.

161. At all relevant times, Plaintiffs were "person[s]" within the meaning of 18 U.S.C.

§ 1961(3).

Defendants Formed A RICO Enterprise.

162. Defendants' collective association, including through the LIBOR Panel Defendants' participation together as members of the BBA's U.S. Dollar LIBOR panel, constitutes the RICO enterprise in this case. Every member of the enterprise participated in the process of misrepresenting their costs of borrowing to the BBA. Using those false quotes to cause the BBA to set LIBOR artificially low, thereby allowing Defendants to increase their net interest revenues by making artificially low payments to investors such as Plaintiffs, constitutes the common purpose of the enterprise.

The Enterprise Has Perpetrated A Continuing Practice Of Racketeering.

163. For at least four years before this Complaint was filed, Defendants, in concert, made false statements to the BBA for the purpose and with the effect of manipulating LIBOR to be lower than it otherwise would have been. Defendants did so for the purpose and with the effect of decreasing their payments to investors such as Plaintiffs and increasing their net interest revenues. Defendants earned hundreds of millions, if not billions, of dollars in wrongful profits as a result, which they shared with the employees who perpetrated the scheme. The conduct of every party involved in the scheme is hardly an isolated occurrence that resulted in one fraudulent charge.

164. In perpetrating the fraudulent scheme, each Defendant directly or indirectly through its corporate structure has designed and implemented a uniform scheme to manipulate LIBOR. Defendants' daily making and communicating of quotes to the BBA comprise one common, uniform nearly identical system of procedures used in virtually an identical way every day.

165. For at least the past four years, Defendants have knowingly, intentionally or recklessly engaged in an ongoing pattern of racketeering under 18 U.S.C. § 1962(c) by committing the predicate acts of mail fraud within the meaning of 18 U.S.C. § 1341, wire fraud within the meaning of 18 U.S.C. § 1343, and bank fraud within the meaning of 18 U.S.C. § 1344(2), by knowingly and intentionally implementing the scheme to make false statements

about their costs of borrowing, to manipulate LIBOR, which allowed Defendants to reap unlawful profits.

166. Defendants have committed the predicate act of mail fraud under 18 U.S.C. § 1341, thus triggering Section 1962(c) liability, by devising or intending to "devise a scheme or artifice to defraud" purchasers and holders of notes and other securities, and "for the purpose of executing such scheme or artifice or attempting so to do," placed or knowingly caused to be placed in a post office or authorized depository for mail matter, documents or packages to be sent or delivered by the Postal Service or a private or commercial interstate carrier, or received from those entities such documents or packages, including: (i) documents offering for sale notes and other securities and (ii) correspondence regarding offerings of notes and other securities (the conduct described in this paragraph is referred to as the "Mail Fraud").

167. On information and belief, the Mail Fraud is the result of Defendants "having devised or intended to devise a scheme or artifice to defraud" holders of notes and other securities, for the purpose of obtaining money from those holders of notes and other securities through "false or fraudulent pretenses, representations, or promises."

168. By devising the scheme or artifice to defraud consumers as described herein, and for obtaining money from holders of notes and other securities through "false or fraudulent pretenses, representations, or promises" about LIBOR-based notes and other securities, Defendants transmitted or caused to be transmitted by means of "wire communication in interstate or foreign commerce, . . . writings, signs, signals, [and] pictures," "for the purpose of executing such scheme or artifice," including by: (i) transmitting documents offering notes and other securities for sale; (ii) transmitting phony statements about their costs of borrowing; (iii) transmitting e-mail communications relating to the process of determining, making or transmitting phony statements about their borrowing costs; (iv) collecting funds from Plaintiffs via electronic fund transfers or electronic communication with Plaintiffs' bank or credit card institution; or (v) transmitting payments to Plaintiffs.

169. In addition to that conduct, Plaintiffs are informed and believe Defendants used the mails and wires in conjunction with reaching their agreement to make false statements about their

costs of borrowing, to manipulate LIBOR.

170. Plaintiffs do not base their RICO claims on any conduct that would have been actionable as fraud in the purchase or sale of securities.

The Racketeering Scheme Affected Interstate Commerce.

171. Through the racketeering scheme described above, Defendants used the enterprise to improperly increase their profits to the detriment of holders of notes and other securities, who resided in different states.

172. Plaintiffs' allegations satisfy RICO's "interstate commerce" element because the racketeering claims alleged herein arise out of, and are based on, Defendants' use of the Internet or the mails across state lines as well as agreements between entities in different states to manipulate LIBOR. Using those interstate channels to coordinate the scheme and transmit fraudulent statements to Plaintiffs across state lines satisfies RICO's requirement of an effect on interstate commerce.

Defendants Conspired To Violate RICO.

173. Apart from constructing and carrying out the racketeering scheme detailed above, Defendants conspired to violate RICO, constituting a separate violation of RICO under 18 U.S.C. § 1962(d).

174. The fraudulent scheme, as set forth above, alleges a violation of RICO in and of itself.

175. Defendants organized and implemented the scheme, and ensured it continued uninterrupted by concealing their manipulation of LIBOR from investors, including Plaintiffs.

176. Defendants knew the scheme would defraud purchasers and holders of notes and other securities of millions of dollars of interest, yet each Defendant remained a participant despite the fraudulent nature of the enterprise. At any point while the scheme has been in place, any of the participants could have ended the scheme by abandoning the conspiracy and notifying the public and law enforcement authorities of its existence. Rather than stopping the scheme, however, the members of the enterprise deliberately chose to continue it, to the direct detriment of investors such as Plaintiffs.

Plaintiffs Suffered Injury Resulting From The Pattern of Racketeering Activity.

177. Because Plaintiffs unknowingly paid money to Defendants for notes and other securities that paid interest at a manipulated rate, and in fact collected less interest than they would have absent the conspiracy, Plaintiffs are direct victims of Defendants' wrongful and unlawful conduct. Plaintiffs' injuries were direct, proximate, foreseeable and natural consequences of Defendants' conspiracy; indeed, those effects were precisely why the scheme was concocted. In making payments to Defendants, Plaintiffs gave money in the custody or control of financial institutions. There are no independent factors that account for Plaintiffs' economic injuries, and the loss of money satisfies RICO's injury requirement.

178. The pattern of racketeering activity, as described in this Complaint, is continuous, ongoing and will continue unless Defendants are enjoined from continuing their racketeering practices. Defendants have consistently demonstrated their unwillingness to discontinue the illegal practices described herein, and they continue their pattern of racketeering as of the filing of this Complaint.

179. Plaintiffs are entitled to recover treble damages for the injuries they have sustained, according to proof, as well as restitution and costs of suit and reasonable attorneys' fees in accordance with 18 U.S.C. § 1964(c).

180. As a direct and proximate result of the subject racketeering activities, Plaintiffs are entitled to an order, in accordance with 18 U.S.C. § 1964(a), enjoining and prohibiting Defendants from further engaging in their unlawful conduct.

ELEVENTH CLAIM FOR RELIEF

Violation of Sections 25400 and 25401 of the California Corporations Code

181. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

182. Defendants, and each of them, acting individually and through a scheme and conspiracy, directly and indirectly, induced Plaintiffs' purchase and retention of the subject LIBOR-based instruments and securities by circulating or disseminating, in or from California, information for the purpose of inducing Plaintiffs to purchase and hold LIBOR-based instruments

and securities. Defendants omitted to inform Plaintiffs that they were engaged in an ongoing scheme to suppress LIBOR that would cause any holder of the subject LIBOR-based instruments and securities to receive lower payments than it otherwise would. Defendants knew their statements were false or misleading in light of the circumstances under which they were made. Defendants intended that Plaintiffs would be misled and would purchase LIBOR-based instruments and securities based on false information. Despite their knowledge, Defendants continued to make the misrepresentations to induce Plaintiffs to purchase LIBOR-based instruments and securities.

183. Defendants, and each of them, are liable under Sections 25500 and 25501 of the California Corporations Code for willfully participating in acts or transactions in violation of Sections 25400 and 25401 of the Corporations Code or for knowingly providing substantial assistance to violations of Sections 25400 and 25401 in violation of Section 25403. Defendants are therefore liable to Plaintiffs, who purchased LIBOR-based instruments and securities at a price affected by Defendants' acts, for damages sustained as a result of such violations.

184. Under Section 25504 of the California Corporations Code, Defendants, and each of them, are also liable as control persons, officers, principals, employees, broker-dealers or agents who provided material aid to a person in violation of Section 25503.

185. Plaintiffs are entitled to prejudgment interest at the legal rate on their economic damages.

TWELFTH CLAIM FOR RELIEF

Breach of the Implied Covenant of Good Faith (under California Law)

186. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

187. Plaintiffs contracted to purchase from Defendants LIBOR-based instruments and securities.

188. Plaintiffs performed all of their obligations under the applicable contracts.

189. All conditions required for Defendants' performance of those contracts were satisfied.

190. Defendants unfairly interfered with Plaintiffs' right to receive the benefits of the subject contracts by secretly manipulating LIBOR to be lower than it otherwise would have been, as alleged in the foregoing paragraphs of this Complaint.

191. Plaintiffs received less interest and lower returns on the LIBOR-based instruments and securities than they would have absent Defendants' manipulation of LIBOR, and were therefore harmed.

THIRTEENTH CLAIM FOR RELIEF

Unjust Enrichment (under California Law)

192. By means of their unlawful conduct set forth in this Complaint—including misrepresenting their costs of borrowing to the BBA to manipulate LIBOR—Defendants knowingly acted in an unfair, unconscionable and oppressive manner toward Plaintiffs.

193. Through their unlawful conduct, Defendants knowingly received and retained wrongful benefits and funds from Plaintiffs. Defendants thereby actd with conscious disregard for Plaintiffs' rights.

194. As a result of their unlawful conduct, Defendants have realized substantial ill-gotten gains. Defendants have unlawfully manipulated LIBOR at the expense of, and to the detriment of, Plaintiffs, and to Defendants' benefit and enrichment.

195. Plaintiffs' detriment and Defendants' enrichment are traceable to, and resulted directly and proximately from, the conduct challenged in this Complaint.

196. Under the common law doctrine of unjust enrichment, it is inequitable to permit Defendants to retain the benefits they received, and are still receiving, without justification, from their manipulation of LIBOR in an unfair, unconscionable and oppressive manner. Defendants' retention of such funds under circumstances making it inequitable to do so constitutes unjust enrichment.

197. The financial benefits Defendants derived rightfully belong to Plaintiffs. The Court should compel Defendants to disgorge, in a common fund for Plaintiffs' benefit, all unlawful or inequitable proceeds Defendants received. The Court should impose a constructive trust upon all unlawful or inequitable sums Defendants received that are traceable to Plaintiffs.

198. Plaintiffs have no adequate remedy at law.

FOURTEENTH CLAIM FOR RELIEF

Cartwright Act, Cal. Bus. & Prof. Code §§ 16720, et seq.

199. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

200. Defendants entered into and engaged in an unlawful trust in restraint of the trade and commerce described above in violation of California Business and Professions Code section 16720.

201. During the Relevant Period, Defendants controlled what LIBOR rate would be reported and therefore controlled prices in the market for securities and contracts paying returns based on LIBOR. Defendants competed in this market.

202. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained or made artificial prices for LIBOR-based instruments and securities. Defendants' conspiracy constitutes a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade.

203. Defendants' conspiracy, and the resulting impact on the market for LIBOR-based instruments and securities, occurred in and affected interstate and international commerce.

204. As a proximate result of Defendants' unlawful conduct, Plaintiffs have suffered injury to their business or property.

205. Accordingly, Plaintiffs seek three times their damages caused by Defendants' violations of the Cartwright Act, the costs of bringing suit, reasonable attorneys' fees, and a permanent injunction enjoining Defendants' from ever again entering into similar agreements in violation of the Cartwright Act.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for relief as follows:

(A) That the Court enter an order declaring that Defendants' actions as set forth in this

Complaint, and in other respects, violate the law;

(B) That the Court enter judgment awarding Plaintiffs damages against Defendants for all economic, monetary, actual, consequential and compensatory damages Plaintiffs suffered as a result of Defendants' conduct, or rescission, together with pre- and post-judgment interest at the maximum rate allowable by law;

(C) That the Court award Plaintiffs exemplary or punitive damages against Defendants to the extent allowable by law;

(D) That the Court award Plaintiffs damages against Defendants for Defendants' violation of the federal antitrust laws and RICO in an amount to be trebled in accordance with those laws ;

(E) That the Court issue an injunction prohibiting Defendants from continuing the misconduct alleged in this Complaint, including their ongoing manipulation of LIBOR;

(F) That the Court order the disgorgement of the ill-gotten gains Defendants derived from their misconduct

(G) That the Court award Plaintiffs restitution of all amounts they paid to Defendants as consideration for notes and other financial instruments affected by Defendants' misconduct;

(H) That the Court award Plaintiffs their costs of suit, including reasonable attorneys' fees and expenses; and

(I) That the Court award such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiffs respectfully demand a trial by jury of all issues so triable.

Dated: August 23, 2011

LIEFF, CABRASER, HEIMANN & BERNSTEIN, LLP

By: ______________________________

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Attorneys for Plaintiffs

RE: LIBOR

Item ID:	31700
From:	[redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: LIBOR
Sent:	August 27, 2012 2:25 PM
Received:	August 27, 2012 2:26 PM

Thanks! From: Lee, Timothy [mailto:Timothy.Lee@fhfaoig.gov] Sent: Monday, August 27, 2012 2:22 PM To: [redacted] Subject: FW: LIBOR Hi [redacted], Back in the office today and happened to come across this bit of interesting reading. You may well know more about the background here than I do. Let me know if youâ€™d like to discuss. Iâ€™ve reached out to FHFA today, and should be back in touch fairly soon to discuss getting you some info. Tim From: Lee, Timothy Sent: Monday, August 27, 2012 2:20 PM To: [redacted]; Timothy.Friedman@fhfa.gov ; fred.graham@fhfa.gov Cc: [redacted]; Parker, Richard; Stephens, Michael Subject: LIBOR Hi folks, A little research today uncovered the claim filed by Charles Schwab with respect to the LIBOR scandal. Youâ€™ll note, sadly, that itâ€™s unprintable (the PDF file, not the language therein). Still, itâ€™s worth sitting at your computer to read. The assertions of fact are very interesting (put together by people with real knowledge of the markets) and suggest that establishment of a necessary pattern is farther along than I had expected. Interestingly, it suggests that the magnitude of the suppression might be in the neighborhood of 30-40 bp through 2008-2009. The Federal law violations it claims include those of the Sherman Act [redacted]), the 1933 Act, the 1940 Act, 10b-5 and RICO. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: LIBOR

Item ID:	31701
From:	Stephens, Michael [redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: LIBOR
Sent:	August 27, 2012 3:06 PM
Received:	August 27, 2012 3:06 PM

Why not send to your doj contact? Interesting article on front page of Wall street Journal today. From: Lee, Timothy Sent: Monday, August 27, 2012 2:20 PM To: [redacted] Timothy.Friedman@fhfa.gov; fred.graham@fhfa.gov Cc: [redacted]; Parker, Richard; Stephens, Michael Subject: LIBOR Hi folks, A little research today uncovered the claim filed by Charles Schwab with respect to the LIBOR scandal. You'll note, sadly, that it's unprintable (the PDF file, not the language therein). Still, it's worth sitting at your computer to read. The assertions of fact are very interesting (put together by people with real knowledge of the markets) and suggest that establishment of a necessary pattern is farther along than I had expected. Interestingly, it suggests that the magnitude of the suppression might be in the neighborhood of 30-40 bp through 2008-2009. The Federal law violations it claims include those of the Sherman Act [redacted], the 1933 Act, the 1940 Act, 10b-5 and RICO. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: LIBOR

Item ID:	31702
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Stephens, Michael </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=2da0367840de4f2c8c5ac168562ab556-Michael Ste>
Subject:	RE: LIBOR
Sent:	August 27, 2012 3:07 PM
Received:	August 27, 2012 3:07 PM

Already done From: Stephens, Michael Sent: Monday, August 27, 2012 3:07 PM To: Lee, Timothy Subject: RE: LIBOR Why not send to your doj contact? Interesting article on front page of Wall street Journal today. From: Lee, Timothy Sent: Monday, August 27, 2012 2:20 PM To: [redacted] (b) (6) ; Timothy.Friedman@fhfa.gov ; fred.graham@fhfa.gov Cc: [redacted] (b) (6) ; Parker, Richard; Stephens, Michael Subject: LIBOR Hi folks, A little research today uncovered the claim filed by Charles Schwab with respect to the LIBOR scandal. You'll note, sadly, that it's unprintable (the PDF file, not the language therein). Still, it's worth sitting at your computer to read. The assertions of fact are very interesting (put together by people with real knowledge of the markets) and suggest that establishment of a necessary pattern is farther along than I had expected. Interestingly, it suggests that the magnitude of the suppression might be in the neighborhood of 30-40 bp through 2008-2009. The Federal law violations it claims include those of the Sherman Act [redacted] (b) (5)), the 1933 Act, the 1940 Act, 10b-5 and RICO. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: LIBOR

Item ID:	31703
From:	[redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: LIBOR
Sent:	August 27, 2012 5:32 PM
Received:	August 27, 2012 5:32 PM

Interesting suit. Thanks. [redacted] From: Lee, Timothy Sent: Monday, August 27, 2012 2:23 PM To: [redacted] Subject: FW: LIBOR Hi [redacted], Thought you'd be interested in this. Tim From: Lee, Timothy Sent: Monday, August 27, 2012 2:20 PM To: [redacted]; Timothy.Friedman@fhfa.gov ; fred.graham@fhfa.gov Cc: [redacted]; Parker, Richard; Stephens, Michael Subject: LIBOR Hi folks, A little research today uncovered the claim filed by Charles Schwab with respect to the LIBOR scandal. You'll note, sadly, that it's unprintable (the PDF file, not the language therein). Still, it's worth sitting at your computer to read. The assertions of fact are very interesting (put together by people with real knowledge of the markets) and suggest that establishment of a necessary pattern is farther along than I had expected. Interestingly, it suggests that the magnitude of the suppression might be in the neighborhood of 30-40 bp through 2008-2009. The Federal law violations it claims include those of the Sherman Act [redacted] the 1933 Act, the 1940 Act, 10b-5 and RICO. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

FW: LIBOR

Item ID:	31705
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Rhinesmith, Alan </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=98d654fcd31f48f7887a69bf4cc5b12d-Alan Rhines>
Subject:	FW: LIBOR
Sent:	August 28, 2012 3:18 PM
Received:	August 28, 2012 3:18 PM

From: Lee, Timothy Sent: Monday, August 27, 2012 2:20 PM To: [redacted] (b) (6); Timothy.Friedman@fhfa.gov; fred.graham@fhfa.gov Cc: [redacted] (b) (6); Parker, Richard; Stephens, Michael Subject: LIBOR Hi folks, A little research today uncovered the claim filed by Charles Schwab with respect to the LIBOR scandal. You'll note, sadly, that it's unprintable (the PDF file, not the language therein). Still, it's worth sitting at your computer to read. The assertions of fact are very interesting (put together by people with real knowledge of the markets) and suggest that establishment of a necessary pattern is farther along than I had expected. Interestingly, it suggests that the magnitude of the suppression might be in the neighborhood of 30-40 bp through 2008-2009. The Federal law violations it claims include those of the Sherman Act [redacted] (b) (5) the 1933 Act, the 1940 Act, 10b-5 and RICO. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1

Charles Schwab LIBOR suit.pdf

Original view

40 pages (displayed on pages 3 to 42)

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Attorneys for Plaintiffs

AUG

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

CHARLES SCHWAB BANK, N.A.; CHARLES SCHWAB & CO., INC.; and THE CHARLES SCHWAB CORPORATION,

Plaintiffs,

v.

BANK OF AMERICA CORPORATION; BANK OF AMERICA, N.A.; CREDIT SUISSE GROUP AG; J.P.MORGAN CHASE & CO.; HSBC HOLDINGS PLC; BARCLAYS BANK PLC; LLOYDS BANKING GROUP PLC; WESTLB AG; UBS AG; ROYAL BANK OF SCOTLAND GROUP PLC; DEUTSCHE BANK AG; CITIGROUP, INC.;

CV 11 4187
Case No.

COMPLAINT

JURY TRIAL DEMANDED

CITIBANK, N.A.; DEUTSCHE BANK SECURITIES; BANC OF AMERICA SECURITIES, LLC; CREDIT SUISSE SECURITIES (USA) LLC.; UBS FINANCIAL SERVICES INC.; J.P. MORGAN SECURITIES INC.; CITIGROUP GLOBAL MARKETS INC.; CITIGROUP FUNDING, INC.; RBS SECURITIES INC. (F/K/A GREENWICH CAPITAL MARKETS, INC.); BANK OF SCOTLAND PLC; CREDIT SUISSE HOLDINGS (USA) INC; CHASE BANK USA; JPMORGAN CHASE BANK NA; JP MORGAN SECURITIES LLC; HSBC BANK USA; HSBC FINANCE CORPORATION; HSBC SECURITIES (USA) INC; BARCLAYS US FUNDING CORP; LLOYDS TSB BANK PLC; UBS FINANCE (DELAWARE) INC; UBS FINANCIAL SERVICES INC; UBS SECURITIES LLC; DEUTSCHE BANK FINANCIAL LLC; CITIZENS BANK, NA; CITIZENS BANK OF MASSACHUSETTS; CITIZENS BANK OF PENNSYLVANIA; and RBS CITIZENS, NA,

Defendants.

Plaintiffs Charles Schwab Bank, N.A., Charles Schwab & Co., Inc., and The Charles Schwab Corporation ("Plaintiffs"), by their counsel, allege as follows:

NATURE OF THE ACTION

1. This case arises from ongoing manipulation of the London Interbank Offered Rate ("LIBOR") by a cadre of prominent financial institutions. Beginning in 2007 and continuing approximately until the announcement of government investigations and subpoenas in March 2011 (the "Relevant Period"), Defendants (identified below) purported to report to the British Bankers' Association ("BBA") the actual interest rates they paid on funds they borrowed from other financial institutions—i.e., their true "costs of borrowing"—on a daily basis. The BBA then relied on the false information Defendants provided to set LIBOR, a benchmark set of interest

rates used to price trillions of dollars' worth of financial instruments worldwide. By acting together and in concert to knowingly understate to the BBA their true costs of borrowing, Defendants caused LIBOR to be set artificially low.

2. Defendants perpetrated their fraudulent scheme and conspiracy to artificially depress LIBOR as a means to pay lower interest rates on interest-bearing financial instruments and securities paying returns based on, tied to, benchmarked or indexed to LIBOR (collectively, "LIBOR-based instruments and securities") that Defendants sold to investors, including Plaintiffs. Specifically, Defendants misrepresented, in connection with numerous offerings of LIBOR-based instruments and securities during the Relevant Period, that the interest rates investors would receive on the subject LIBOR-based instruments and securities were based on LIBOR, when in fact Defendants were actively working together to ensure LIBOR was set at artificially low rates. Thus surreptitiously bilking investors of their rightful rates of return on their investments, Defendants reaped hundreds of millions, if not billions, of dollars in ill-gotten gains. Defendants—in the debt securities context, the borrowers—have been cheating investors—the lenders—out of interest payments for years. Moreover, by understating their true costs of borrowing, Defendants provided a false or misleading impression of their financial strength to investors.

3. Defendants' manipulation similarly depressed returns on securities they sold and issued that paid a fixed rate of return, such as fixed-rate notes. As Defendants know, market participants use LIBOR as the starting point for negotiating rates of return on short-term fixed-rate instruments, such as fixed-rate notes maturing in a year or less. Defendants borrowed money from Plaintiffs by issuing short-term paper at a rate set as a spread above LIBOR. By depressing LIBOR, Defendants paid lower interest rates on short-term paper Plaintiffs purchased from them. Additionally, by depressing LIBOR, Defendants depressed the rates of return Plaintiffs earned on short-term paper they purchased from other entities who based those rates on LIBOR.

4. While Defendants successfully perpetrated their unlawful scheme for years (amid isolated expressions of concern by some market participants), a series of recently initiated government investigations within the United States and abroad has begun to shed light on

Defendants' malfeasance. Among other things, UBS recently disclosed that it received a grant of conditional leniency from the United States Department of Justice ("DOJ") under the Antitrust Criminal Penalties Enhancement and Reform Act and the DOJ's Corporate Leniency Policy in exchange for cooperating with the DOJ's investigation into LIBOR manipulation. Under that policy, the DOJ only grants leniency to corporations that report *actual illegal activity*. Other Defendants likewise are targets of government investigations concerning the misconduct alleged in this Complaint.

5. During the Relevant Period, Plaintiffs acquired tens of billions of dollars' worth of LIBOR-based instruments and securities from Defendants and other issuers, which paid artificially low returns to Plaintiffs based on Defendants' manipulation of LIBOR.

6. Plaintiffs now seek relief for the damages they have suffered as a result of Defendants' violations of federal and state law. Plaintiffs assert claims under the Sherman Act, 15 U.S.C. §§ 1 *et seq.*; the Clayton Act, 15 U.S.C. §§ 12 *et seq.*; the Securities Act of 1933 ("Securities Act"), 15 U.S.C. § 77k; the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the United States Securities and Exchange Commission ("SEC"), 17 C.F.R. § 240.10b-5; the federal Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. §§ 1961 *et seq.*; and the statutory and common law of California. Plaintiffs' allegations are based on personal knowledge with respect to their own conduct and on information and belief as to other allegations based on facts obtained during the course of their attorneys' investigation.

JURISDICTION AND VENUE

7. This Court has jurisdiction over the subject matter of this action under Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 & 26(a); Section 27 of the Exchange Act, 15 U.S.C. § 78aa; Section 22 of the Securities Act, 15 U.S.C. § 77v; and 28 U.S.C. §§ 1331 and 1337. The Court may exercise supplemental jurisdiction, in accordance with 28 U.S.C. § 1367, over Plaintiffs' state-law claims.

8. This Court has personal jurisdiction over all of the Defendants by virtue of their business activities in this jurisdiction.

9. Venue is proper in the Northern District of California under Section 27 of the Exchange Act, 15 U.S.C. § 78aa; Section 22 of the Securities Act, 15 U.S.C. § 77v; Section 1965 of RICO, 18 U.S.C. § 1965; and 28 U.S.C. § 1391(b), (c) and (d). Each Defendant transacted business in this District and a substantial part of the events or omissions giving rise to Plaintiffs' claims occurred in this District. Defendants' unlawful conduct manipulated the prices of LIBOR-based instruments and securities traded in this District.

THE PARTIES

PLAINTIFFS

10. Plaintiff The Charles Schwab Corporation is a corporation organized under the laws of Delaware, with its principal place of business in San Francisco, California.

11. Plaintiff Charles Schwab Bank, N.A. is a national banking association organized under the laws of Arizona and headquartered in Reno, Nevada. Charles Schwab Bank, N.A., is a wholly-owned subsidiary of The Charles Schwab Corporation.

12. Plaintiff Charles Schwab & Co., Inc. is a California Corporation and a wholly-owned subsidiary of The Charles Schwab Corporation. Charles Schwab & Co., Inc., through its division Charles Schwab Treasury manages the investments of Charles Schwab Bank, N.A. Charles Schwab Treasury is the entity to which Defendants directed their solicitations to purchase all LIBOR-based instruments and securities referred to in this Complaint. Charles Schwab Treasury received those solicitations and executed the purchase of all LIBOR-based instruments and securities referred to in this Complaint.

DEFENDANTS

A. LIBOR Panel Members

13. Defendant Bank of America Corporation is a Delaware corporation headquartered in Charlotte, North Carolina.

14. Defendant Bank of America, N.A., is a national banking association incorporated in North Carolina and with its principal place of business in Charlotte, North Carolina. It is a wholly-owned subsidiary of NB Holdings Corporation, which in turn is wholly-owned by Defendant Bank of America Corporation. Defendants Bank of America, N.A. and Bank of

America Corporation are collectively referred to as "Bank of America."

15. Defendant Credit Suisse Group AG is a Swiss company headquartered in Zurich, Switzerland.

16. Defendant J.P. Morgan Chase & Co. is a Delaware financial holding company headquartered in New York, New York.

17. Defendant HSBC Holdings plc is a British public limited company headquartered in London, England.

18. Defendant Barclays Bank plc is a British public limited company headquartered in London, England.

19. Defendant Lloyds Banking Group plc is a British public limited company headquartered in London, England. Lloyds was formed in 2009 through the acquisition of HBOS plc by Lloyds TSB Bank plc.

20. Defendant WestLB AG ("WestLB") is a German joint stock company headquartered in Dusseldorf, Germany.

21. Defendant UBS AG is a Swiss company based in Basel and Zurich, Switzerland.

22. Defendant Royal Bank of Scotland Group plc is a British public limited company headquartered in Edinburgh, Scotland.

23. Defendant Deutsche Bank, AG is a German financial services company headquartered in Frankfurt, Germany.

24. Defendant Citibank, N.A. is a wholly-owned subsidiary of Defendant Citigroup, Inc., a United States financial services corporation headquartered in New York, New York. Defendants Citibank, N.A., and Citigroup, Inc., are collectively referred to as "Citibank."

25. During the Relevant Period, each of the Defendants listed in paragraphs 13-24 was a member of the BBA's U.S. Dollar LIBOR panel. These Defendants are referred to collectively as the "LIBOR Panel Defendants."

B. Affiliated Securities Dealers

26. Defendant Deutsche Bank Securities is a broker-dealer organized under Delaware law and doing business in New York, New York. It is a wholly-owned subsidiary of Defendant Deutsche Bank AG.

27. Defendant Banc of America Securities, LLC is a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant Bank of America Corporation.

28. Defendant Barclays Capital Inc. is a corporation organized under Connecticut law and doing business in New York, New York. It is a division of Defendant Barclays plc.

29. Defendant Credit Suisse Securities (USA) LLC is a corporation organized under Delaware law and doing business in New York, New York.

30. Defendant UBS Financial Services Inc. is a corporation organized under Delaware law doing business in Weehawken, New Jersey.

31. Defendant J.P. Morgan Securities Inc., f/k/a Bear Stearns & Co., is a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant JP Morgan Chase Bank, N.A.

32. Defendant Citigroup Global Markets Inc. is a broker-dealer New York corporation organized under New York law. It is a subsidiary of Defendant Citigroup, Inc.

33. Defendant Citigroup Funding, Inc. is a corporation organized under Delaware law. It is a subsidiary of Defendant Citigroup, Inc.

34. Defendant RBS Securities, Inc., (f/k/a Greenwich Capital Markets, Inc.) is a corporation organized under Delaware law doing business in Connecticut. It is a subsidiary of Defendant Royal Bank of Scotland Group plc.

35. Defendant Bank of Scotland plc is a bank organized under U.K. law, based in Edinburgh. It is a subsidiary of Defendant Lloyds Banking Group plc.

36. Defendant Credit Suisse Holdings (USA) Inc is a corporation organized under Delaware law and doing business in New York, New York. It is a subsidiary of Defendant Credit Suisse Group AG.

37. Defendant Chase Bank USA, N.A. is a national banking association incorporated

in Delaware, with its principal place of business in Newark, Delaware, and is a wholly-owned subsidiary of Defendant JPMorgan Chase & Co.

38. Defendant JPMorgan Chase Bank NA s a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant JPMorgan Chase & Co.

39. Defendant JP Morgan Securities LLC is a corporation organized under Delaware law and a wholly-owned subsidiary of Defendant JPMorgan Chase & Co.

40. Defendant HSBC Bank USA, N.A. is the principal subsidiary of HSBC USA Inc., an indirect, wholly-owned subsidiary of HSBC North America Holdings Inc.

41. Defendant HSBC Finance Corporation is a subsidiary of HSBC North America Holdings Inc., owned by HSBC Holdings plc, the parent company of the HSBC Group. HSBC Finance Corporation is headquartered in London, England.

42. Defendant HSBC Securities (USA) Inc is a corporation organized under the laws of Delaware, with its principal place of business in New York, New York, and is a subsidiary of HSBC North America Holdings, Inc.

43. Barclays US Funding LLC, formerly known as Barclays U.S. Funding Corporation, is a corporation organized under Delaware law and doing business in New York, New York.

44. Defendant Lloyds TSB Bank PLC is a British public limited company headquartered in London, England. It is a subsidiary of Defendant Lloyds Banking Group plc.

45. Defendant UBS Finance (Delaware) Inc. is a corporation organized under Delaware law doing business in New York, New York. It is a wholly-owned subsidiary of Defendant UBS AG.

46. Defendant UBS Securities LLC (f/k/a USB Warburg LLC) is a corporation organized under Delaware law doing business in Connecticut. It is a wholly-owned subsidiary of Defendant UBS AG.

47. Defendant Deutsche Bank Financial LLC is a limited liability company organized under Delaware law. It is a subsidiary of Defendant Deutsche Bank, AG.

48. Defendant Citizens Bank, NA is a national banking association organized under

Rhode Island Law doing business in Rhode Island. It is a subsidiary of Citizens Financial Group, Inc., a wholly-owned subsidiary of Defendant Royal Bank of Scotland Group plc.

49. Defendant Citizens Bank of Massachusetts was merged into and subsequently operated as part of RBS Citizens, National Association in Providence, Rhode Island.

50. Defendant Citizens Bank of Pennsylvania is a national banking association organized under the laws of Pennsylvania and headquartered in Philadelphia, Pennsylvania. It is a subsidiary of Citizens Financial Group, Inc. a wholly-owned subsidiary of Defendant Royal Bank of Scotland Group plc.

51. Defendant RBS Citizens, NA, formerly known as Citizens Bank of Massachusetts, is a national banking association organized under the laws of Maryland and headquartered in Providence, Rhode Island.

52. The entities identified in paragraphs 27-52 are referred to collectively as the "Securities Dealer Defendants."

53. Each of the Securities Dealer Defendants joined and furthered the conspiracy by selling LIBOR-based instruments and securities at elevated prices and that paid depressed rates of interest as a result of the misconduct alleged herein, to the direct benefit of their corporate parents that manipulated LIBOR.

54. The LIBOR Panel Defendants agreed to manipulate LIBOR on behalf of, and reported this manipulation to, their respective corporate families. As a result, the entire corporate family was represented in these meetings and discussions by their agents and were parties to the agreements reached in them. Furthermore, to the extent that subsidiaries or affiliates within the corporate families sold LIBOR-based instruments and securities to buyers such as Plaintiffs, these subsidiaries and affiliates played a significant role in the conspiracy. Thus, all entities within the corporate families that were engaged in the setting of LIBOR or the marketing, sale and distribution of such LIBOR-based instruments and securities were active, knowing participants in the alleged conspiracy.

FACTUAL ALLEGATIONS

A. LIBOR Was The Touchstone Of The Represented Rates Of Return On The LIBOR-Based Instruments And Securities Plaintiffs And Other Investors Purchased During The Relevant Period.

55. LIBOR is a set of reference or benchmark interest rates priced to different ranges of maturity, from overnight to one year. Thomson/Reuters calculates LIBOR each business day on behalf of the BBA, which first began setting LIBOR on January 1, 1986. The BBA establishes LIBOR based on the rates 16 major international banks, including the LIBOR Panel Defendants, reported as their costs of borrowing. The banks inform the BBA of their costs of borrowing funds at different maturity dates (e.g., one month, three months, six months). The BBA discards the upper four and lower four quotes and sets LIBOR by calculating the mean value of the remaining middle eight quotes, known as an "inter-quartile" methodology. The BBA then publishes LIBOR, also reporting the quotes on which it based the LIBOR calculation.

56. LIBOR serves a crucial role in the operation of financial markets. For example, market participants commonly set the interest rate on floating-rate notes as a spread against LIBOR (e.g., "LIBOR + [X] bps"). Market participants also use LIBOR as a basis to determine the correct rate of return on short-term fixed-rate notes. Additionally, the pricing and settlement of Eurodollar futures and options, the most actively traded interest rate futures contracts on the Chicago Mercantile Exchange, are based on the three-month LIBOR. LIBOR thus affects the pricing of trillions of dollars' worth of financial transactions. As alleged below, Plaintiffs purchased tens of billions of dollars worth of LIBOR-based instruments and securities from Defendants and other issuers during the Relevant Period.

B. Defendants Manipulated LIBOR During The Relevant Period.

57. Throughout the Relevant Period Defendants and other members of the U.S. dollar LIBOR panel conspired to suppress LIBOR below levels at which it would have been set had they accurately reported their costs of borrowing. As explained below, Defendants' scheme is evidenced in the aberrant behavior of LIBOR and the rates the LIBOR Panel Defendants reported, which tended to "bunch" near the bottom quartile of the collection of reported rates used to set LIBOR and did not properly correlate with other simultaneous economic measures of

Defendants' costs of borrowing, such as credit default swap ("CDS") insurance premiums and the Eurodollar Bid Rate.

1. Defendants Commenced Their Scheme In 2007 And Perpetuated It Amid Isolated Expressions of Concern By Some Market Participants.

58. In November 2007, a concern arose among some in the U.K. banking community that the members of the U.S. dollar LIBOR panel, including the LIBOR Panel Defendants, might be understating their true costs of borrowing, thus causing LIBOR to be set artificially low. Some U.K. banks raised their concerns at a meeting of the Bank of England that month.

59. In response to those concerns, specifically "anecdotal evidence gathered from conversation with market participants … that the rates quoted and paid by banks on their interbank borrowing tended to vary more than usual (and by more than what appears in the LIBOR panel) during the turbulence," the Bank for International Settlements ("BIS") in Spring 2008 produced a study of the U.S. dollar LIBOR ("USD-LIBOR"). Overnight-indexed swaps ("OIS") are viewed as virtually risk-free, so the positive difference between LIBOR and interest rates on those swaps should reflect the credit risk of the quoting banks. Specifically, the BIS examined two values: (i) the difference, or "spread," between USD-LIBOR and OIS; and (ii) the BIS compared the LIBOR-OIS spread to the cost of CDS insurance on the debt of the BBA panel banks. Absent manipulation, those two values should exhibit a stable relationship, because they both depend on the same thing: the credit risk of the quoting banks.

60. Contrary to that expectation, the BIS found an unusually "loose" relationship between CDS premiums and the LIBOR-OIS spread, beginning in August 2007 and continuing at least into 2008, when the BIS published its findings. During that time, CDS premiums led the LIBOR-OIS spread in an upward trend. In other words, the cost of CDS insurance on the debt of the panel banks increased more swiftly than the difference between LIBOR and interest rates on OIS, when the two values should have behaved similarly.

61. On May 29, 2008, The Wall Street Journal published the results of a study it had commissioned comparing the quotes of LIBOR panel banks with the contemporaneous cost of

buying default insurance (i.e., a CDS) on the banks' debt.[1] The Journal found that beginning in January 2008, "the two measures began to diverge, with reported LIBOR rates failing to reflect rising default-insurance costs." The Journal further found that the widest gaps existed with respect to the LIBOR quotes of Citibank, WestLB, HBOS, JP Morgan and UBS.

62. The Journal also compared the banks' LIBOR quotes to their actual costs of borrowing in the commercial paper market. The Journal reported, for example, that in mid-April 2008, UBS paid 2.85% to borrow dollars for three months; but on April 16, 2008, UBS reported a borrowing cost of 2.73% to the BBA as its LIBOR reference quote.

63. The Journal further reported an uncanny equivalence between the banks' LIBOR quotes: the three-month borrowing rates the banks reported remained within a range of only 0.06 of a percentage point, even though at the time their CDS insurance costs (premiums) varied much more widely, reflecting the market's differing views as to the banks' creditworthiness. The Journal quoted Stanford University professor Darrell Duffie, who described the unity of the banks' LIBOR quotes as "far too similar to be believed." Calculating an alternate borrowing rate incorporating CDS spreads the Journal estimated that underreporting of LIBOR had a $45 billion effect on the market, representing the amount borrowers (the banks) did not pay to lenders (investors in debt securities issued by the banks) that they would otherwise have had to pay.

64. In May 2008, following the Journal's reports, Tim Bond, the head of asset-allocation research at Barclays, admitted "the rates the banks were posting to the BBA became a little divorced from reality" during 2007-2008, adding:

> We had one week in September where our treasurer, who takes his responsibilities pretty seriously, said, "Right, I've had enough of this, I'm going to quote the right rates". All we got for our pains was a series of media articles saying that we were having difficulty financing.[2]

65. In a report published mid-April 2008 entitled "Is LIBOR Broken?", Citibank's Scott Peng, an interest rate analyst, wrote "Libor at times no longer represents the level at which

[1] Mollenkamp & Whitehouse, "Study Casts Doubt on Key Rate --- WSJ Analysis Suggests Banks May Have Reported Flawed Interest Data for LIBOR," The Wall Street Journal, May 29, 2008.
[2] http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/2790833/Libor-credibility-questioned-by-Barclays-strategist.html.

banks extend loans to others." He concluded that LIBOR was suppressed by 30 basis points ("bps").[3] Peng resigned approximately one year later. Reports of his resignation referenced his disclosures about LIBOR. On April 18, 2008, Credit Suisse's William Porter, a credit strategist, estimated an even greater suppression: 40 bps (as reported that day by the Journal).

66. On April 3, 2008, the Bank of England money-market committee held a meeting of U.K. banks. The minutes of that meeting state: "U.S. Dollar Libor rates had at times appeared lower than actual traded interbank rates."

67. Right after the Journal's original April 16, 2008 article, the LIBOR panel banks raised their quotes, causing LIBOR to log its biggest increase since August 2007, falsely and misleadingly signaling that any improper reporting of false rates that may have previously occurred had ended.

2. The Discrepancy Between Defendants' Reported LIBOR Quotes And Their CDS Spreads Evinces Defendants' Improper Scheme.

68. Despite the reporting in 2008 described above, the LIBOR Panel Defendants continued to give LIBOR quotes that in fact deviated from their costs of borrowing as reflected in CDS spreads. Citibank, for example, reported rates virtually identical to those of the Bank of Tokyo-Mitsubishi, another U.S. dollar LIBOR panel member, even though the banks had vastly different costs of borrowing, as implied by the respective costs of CDS insurance on their debt.

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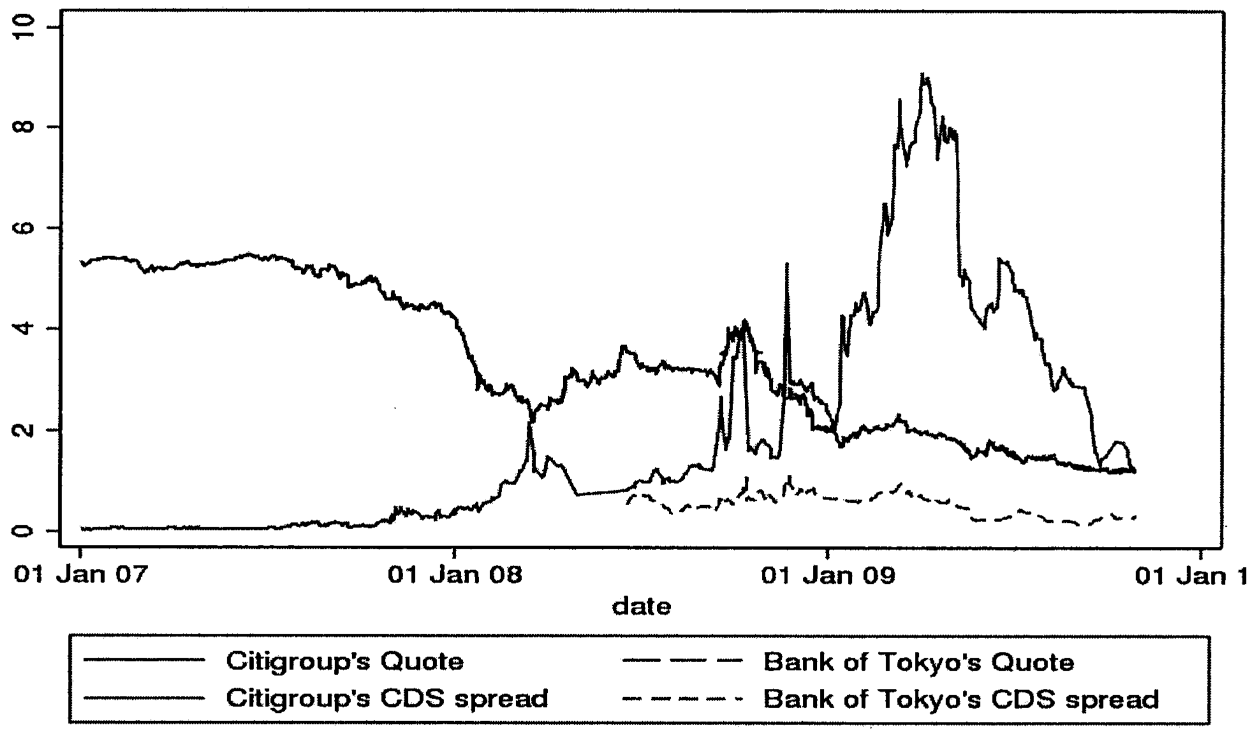
[3] 100 basis points equal 1%.

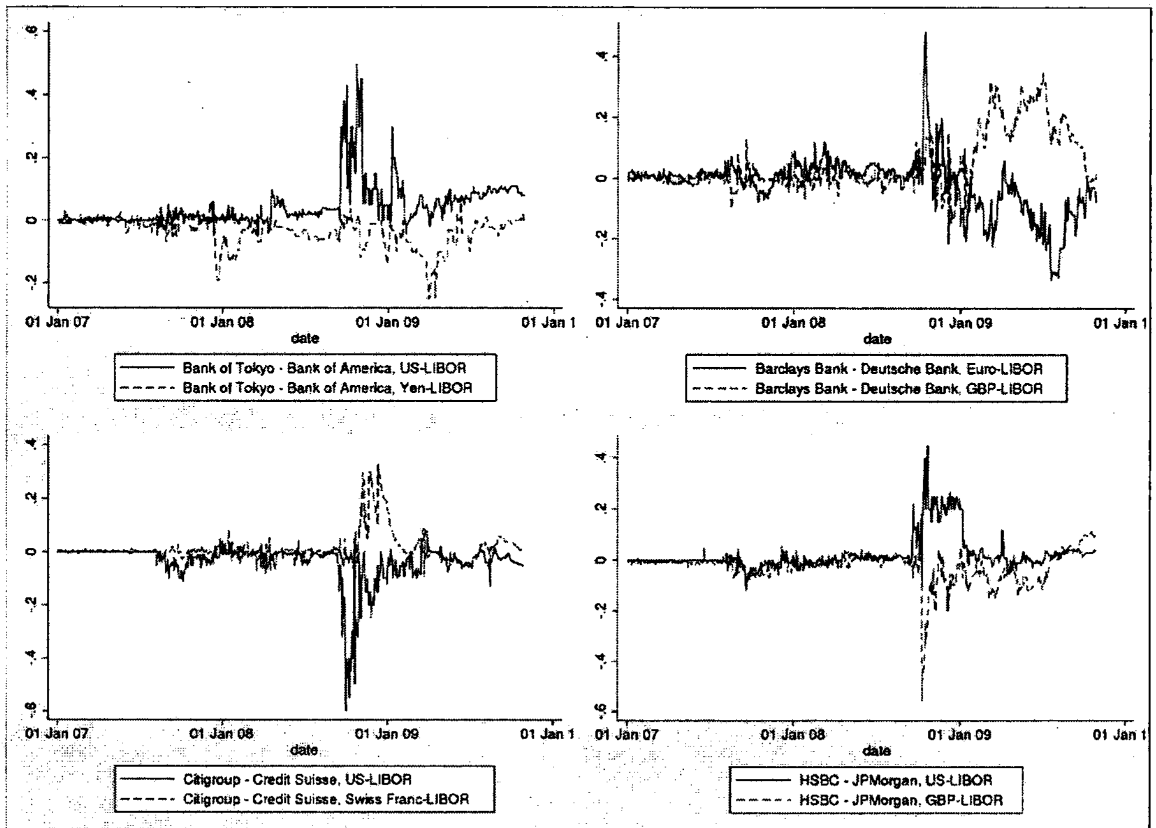


69. Indeed, during much of 2009, Citibank's panel quote was, anomalously, *lower* than the premiums on its CDS, which if true would mean anyone lending to Citibank at interbank rates would, after purchasing CDS insurance, incur a 5% *loss*. That discrepancy contravenes basic rules of economics and finance, thus indicating that Citibank underreported its borrowing costs to the BBA.

3. <u>Deviations Among Banks Participating In The Same Currencies Indicates That Defendants Manipulated LIBOR.</u>

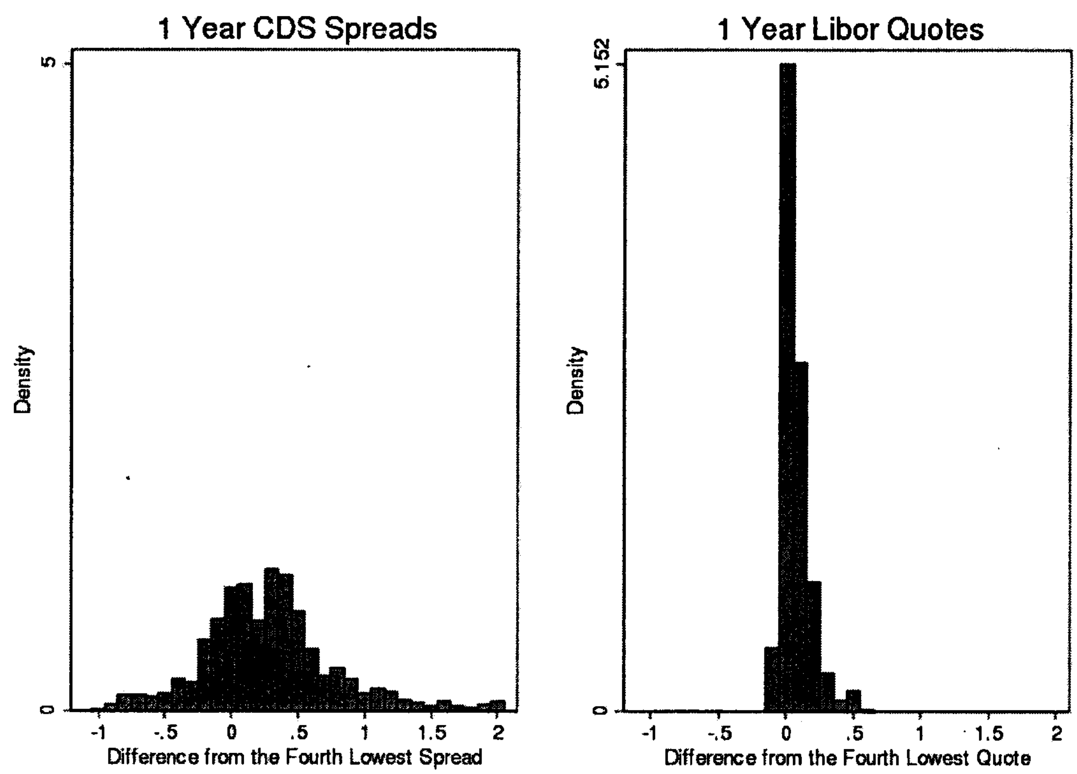
70. The LIBOR Panel Defendants' reported rates also displayed inexplicable ranking anomalies. Specifically, the LIBOR Panel Defendants reported lower rates on USD-LIBOR than did their colleagues on the panel, yet, for other currencies, provided higher rates than did those same other banks. Both Bank of America and Bank of Tokyo, for instance, quoted rates for the USD-LIBOR and Yen-LIBOR during the period under study, yet Bank of America quoted a lower rate than Bank of Tokyo on USD LIBOR and a *higher* rate than Bank of Tokyo on Yen-LIBOR. Other banks suspected of rate manipulation displayed similar anomalies across currencies, as the graphs below demonstrate. Citibank, for example, often reported rates at the top of the Yen-LIBOR scale while simultaneously quoting rates at the bottom of the USD-LIBOR

scale. Those discrepancies make no economic sense: an enormous financial institution like Citibank is not substantially more or less creditworthy for purposes of borrowing yen versus dollars.



4. <u>Quote-Bunching</u>

71. The LIBOR Panel Defendants' LIBOR quotes also demonstrate anomalous "bunching" around the fourth-lowest rate submitted by the 16 reference banks to the BBA every day. As the graphs below demonstrate, during the Relevant Period the rates reported by the LIBOR Panel Defendants tended to "bunch" around the fourth-lowest quote much more commonly than the CDS spreads of the banks tended to "bunch" around the fourth-lowest spread. That discrepancy defies common economic reasoning, which indicates that the distribution of rates and CDS spreads should be the same or very similar. The rates reported by Citibank and Bank of America, in particular, often tended to be identical to the fourth-lowest quote.



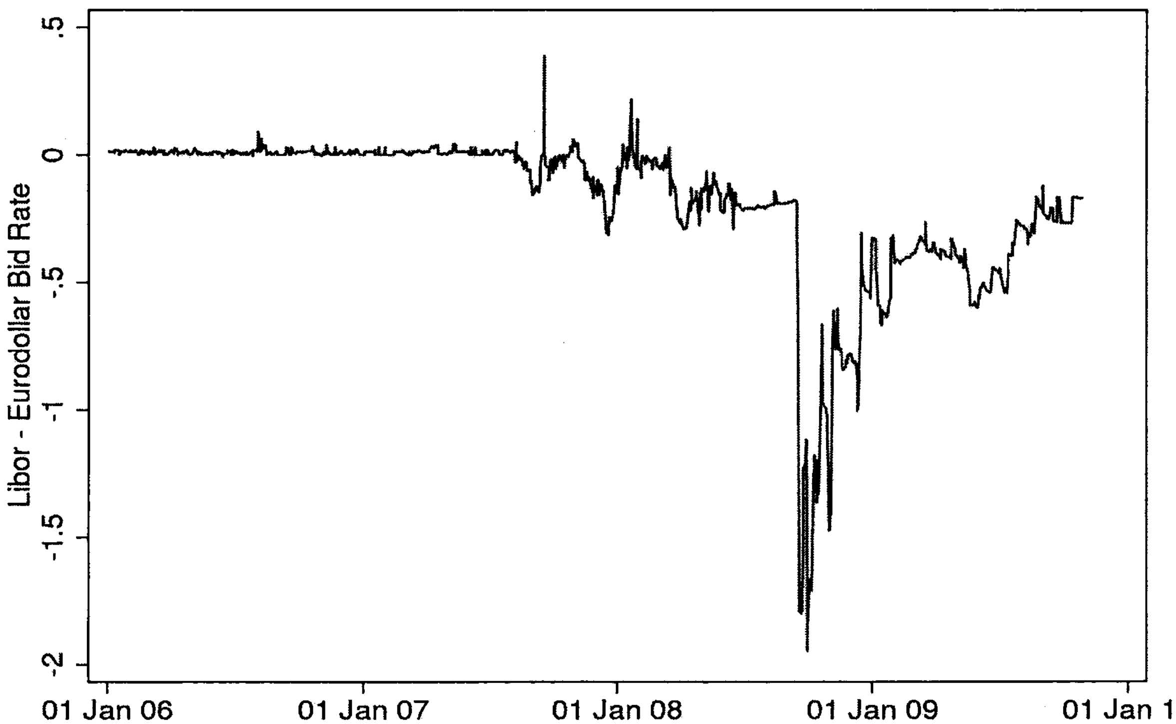
72. Given the method by which the BBA calculates LIBOR—discarding the highest and lowest reported rates and averaging the remainder—that high concentration around the fourth-lowest rate is exactly what would occur if a number of banks sought in concert to depress LIBOR.

5. <u>The Anomalous Eurodollar Bid Rate-LIBOR Spread Beginning After August 2007 Also Reflects Defendants' Scheme.</u>

73. Defendants' conduct also caused LIBOR to break its historic—and economically dictated—relationship with the Eurodollar Bid Rate. "Eurodollars" are time-deposits for dollars located outside the United States. The "Eurodollar Bid Rate" is the rate of interest offered on such deposits. In other words, it is the rate offered to attract dollars, whereas LIBOR is, essentially, the rate asked of a party seeking dollars. Thus, before August 2007, the previous day's Eurodollar Bid Rate was closely aligned with, and was a good predictor of, LIBOR. The Eurodollar Bid Rate had usually tracked 6-12 bps below LIBOR, suggesting something like a bid-ask spread. Thus, if, hypothetically, the Eurodollar Bid Rate were 2.5%, one would expect LIBOR that same day to fall between 2.56% and 2.62%.

74. After August 2007, however, that relationship broke down: the spread inverted, with LIBOR skewing lower than the Eurodollar Bid Rate by substantial amounts through 2009. The Eurodollar Bid Rate no longer predicted LIBOR; the prior-day's LIBOR became a much better predictor. An analysis of the Eurodollar Bid Rate over time implies that LIBOR continued to be understated by as much as 30-40 basis points through 2009.

75. The following shows the breakdown of the relationship between the Eurodollar Bid Rate and LIBOR from 2007 to 2009.



C. Defendants Possessed Strong Incentives to Manipulate LIBOR.

76. Defendants each had a substantial financial incentive to manipulate LIBOR because each had billions of dollars in exposures to movements in interest rates. Citibank, Bank of America and JPMorgan, for instance, reported billions of dollars (notional) in interest rate swaps during the period under study; even a small unhedged exposure to interest rates would have had a substantial effect on revenues. Indeed, all three banks reported increased net interest revenues in the first quarter of 2009, when LIBOR fell dramatically. Similarly, in 2009 Citibank reported it would make $936 million in net interest revenue if rates would fall by 25 bps per quarter over the next year and $1.935 billion if they fell 1% instantaneously. JP Morgan also

reported significant exposure to interest rates in 2009: it predicted that if interest rates increased by 1%, it would lose over $500 million. HSBC and Lloyds also predicted they would earn hundreds of millions of additional dollars in 2008-2009 in response to lower interest rates, and lose comparable amounts in response to higher rates. These banks collectively earned billions in net interest revenues during the Relevant Period. Underreporting the banks' costs of borrowing also had the benefit of disguising the true risks to their solvency and liquidity during a time of economic crisis and intense political pressure.

D. <u>Defendants' Misconduct Has Incited Numerous Pending Government Investigations.</u>

77. Numerous regulators, professional organizations, analysts and news agencies recently have begun investigating the LIBOR Panel Defendants' reported LIBOR rates.

78. On March 15, 2011, UBS disclosed that it had received subpoenas from the SEC, the Commodity Futures Trading Commission ("CFTC") and the DOJ seeking information concerning "whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate LIBOR at certain times." UBS reported that the Japanese Financial Supervisory Agency also requested information relating to UBS's LIBOR self-reporting.

79. On March 15, 2011, the *Financial Times* reported that the U.K.'s Financial Services Authority ("FSA") had requested similar information from UBS.

80. The *Financial Times* also reported that Bank of America, Citibank and Barclays had received subpoenas from the FSA and that "[a]ll the [BBA] panel members are believed to have received at least an informal request for information[.]"

81. Lloyds Banking Group, Barclays, and RBS have also disclosed that they are subjects of the FSA's investigation.

82. On July 26, 2011, news sources reported that UBS had disclosed that it had received a grant of conditional leniency from the DOJ in exchange for cooperating with the DOJ's investigation into LIBOR manipulation. UBS has received conditional leniency pursuant to the Antitrust Criminal Penalties Enhancement and Reform Act and the DOJ's Corporate Leniency Policy. Under that policy, the DOJ only grants leniency to corporations that report actual illegal activity.

E. **Plaintiffs Have Suffered Significant Harm As A Result of Defendants' Misconduct.**

83. Throughout the Relevant Period, Defendants' manipulation of LIBOR caused damage to Plaintiffs. All told, Defendants' conduct affected the value of tens of billions of dollars in LIBOR-based instruments and securities Plaintiffs held or purchased. Most of those securities and instruments fell into one of the following categories.

84. Floating-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by Defendants. Throughout the Relevant Period, Plaintiffs bought floating-rate notes from and issued by Defendants. These notes paid a rate of return based on LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes than they would have if LIBOR had been properly set. Plaintiffs relied on the accuracy of LIBOR in undertaking these transactions.

85. Floating-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by entities other than Defendants. Throughout the Relevant Period, Plaintiffs bought floating-rate notes from and issued by entities other than Defendants, e.g. short-term commercial paper. As is well-known to sophisticated market participants like Defendants, these notes are affected by, and pay returns based on, LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes than they would have if LIBOR had been properly set. Plaintiffs relied on the accuracy of LIBOR in undertaking these transactions.

86. Fixed-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by Defendants. Throughout the Relevant Period, Plaintiffs bought fixed-rate notes from and issued by Defendants. These notes paid a fixed rate of return. However, the price of these notes and the fixed rate or return were determined based on LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes and/or pay more for them than they would have if LIBOR had been properly set. Plaintiffs relied on the accuracy of LIBOR in undertaking these transactions.

87. Fixed-rate notes and other LIBOR-based instruments and securities sold or issued to Plaintiffs by entities other than Defendants. Throughout the Relevant Period, Plaintiffs bought

fixed-rate notes from and issued by entities other than Defendants. As is well-known to sophisticated market participants like Defendants, these notes are priced off of, and pay returns based on, LIBOR. Defendants' suppression of LIBOR caused Plaintiffs to receive lower returns on these notes than they would have if LIBOR had been properly set.

FRAUDULENT CONCEALMENT

88. Plaintiffs had neither actual nor constructive knowledge of the facts supporting their claims for relief despite diligence in trying to discover the pertinent facts. Plaintiffs did not discover, and could not have discovered through the exercise of reasonable diligence, the existence of the conspiracy alleged herein until 2011, when investigations by the DOJ and other antitrust regulators became public. Defendants engaged in a secret conspiracy that did not give rise to facts that would put Plaintiffs on inquiry notice that there was a conspiracy to manipulate LIBOR.

CLAIMS FOR RELIEF

FIRST CLAIM FOR RELIEF

Violation of Section 1 of the Sherman Act, 15 U.S.C. § 1

89. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

90. Defendants entered into and engaged in a conspiracy in unreasonable restraint of trade in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

91. During the Relevant Period, Defendants controlled what LIBOR rate would be reported and therefore controlled prices in the market for securities and contracts paying returns based on LIBOR. Defendants competed in this market.

92. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained or made artificial prices for LIBOR-based instruments and securities. Defendants' conspiracy constitutes a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade.

93. Defendants' conspiracy, and the resulting impact on the market for LIBOR-based instruments and securities, occurred in and affected interstate and international commerce.

94. As a proximate result of Defendants' unlawful conduct, Plaintiffs have suffered injury to their business or property.

95. Plaintiffs are entitled to treble damages for the violations of the Sherman Act alleged herein.

SECOND CLAIM FOR RELIEF

Interference with Economic Advantage (under California Law)

96. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

97. As set forth in this Complaint, Defendants manipulated LIBOR in violation of federal and state law.

98. An economic relationship existed between Plaintiffs and issuers of LIBOR-based instruments and securities, which obligated the issuers to make payments to Plaintiffs at a rate dependent on LIBOR.

99. Defendants' unlawful manipulation of LIBOR interfered with and disrupted that relationship by defeating the parties' expectations that LIBOR would be set honestly and accurately and would provide a fair benchmark for those securities. As a result, Plaintiffs received lower payments on those securities than they otherwise would have, and overpaid for the securities, and were damaged thereby.

100. Defendants acted with the knowledge that interference or disruption of Plaintiffs' relationships with issuers of securities indexed to LIBOR were certain or substantially certain to result from Defendants' unlawful manipulation of LIBOR.

THIRD CLAIM FOR RELIEF

Violation of Section 17200 of the California Business and Professions Code (Unfair Business Practices)

101. Defendants have engaged in fraudulent, unfair and illegal conduct in violation of Section 17200 of the California Business and Professions Code ("Section 17200"). Defendants'

conduct was substantially injurious to Plaintiffs.

102. Defendants' business acts and practices, as alleged herein, constituted—and still constitute—a continuous course of unfair competition by means of unfair, unlawful or fraudulent business acts or practices in violation of Section 17200, including the following:

a. the violations of the antitrust, securities, wire fraud, mail fraud, bank fraud, racketeering and other laws as set forth herein;

b. Defendants' unfair business acts and practices, which induced investors, including Plaintiffs, to purchase and retain the LIBOR-based instruments and securities Defendants or others issued based on falsely-set LIBOR rates, and Defendants' materially false and misleading statements about their costs of borrowing, made with knowledge or reckless disregard that they were materially false or misleading when made.

103. Defendants' business acts and practices, as alleged herein, have caused Plaintiffs to purchase and retain the subject LIBOR-based instruments and securities and, as a result, to suffer losses.

104. Plaintiffs are entitled to full relief, including full restitution or disgorgement of all revenues, earnings, profits, compensation and benefits Defendants may have obtained as a result of such business, acts or practices, and an injunction mandating that Defendants cease and desist from engaging in the practices described herein.

FOURTH CLAIM FOR RELIEF

Fraud, Deceit and Concealment (under Sections 1572, 1709 and 1710 of the California Civil Code)

105. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

106. Plaintiffs purchased LIBOR-based instruments and securities issued by Defendants and other entities. Those included floating-rate notes where Defendants paid interest rates based on LIBOR, and fixed-rate notes where the parties determined the fixed rate of interest by referencing LIBOR.

107. Defendants made numerous statements to Plaintiffs to induce them to purchase those notes and other financial instruments.

108. Contemporaneous with Plaintiffs' purchases, Defendants gave public quotes to the BBA of their supposed costs of borrowing.

109. In fact, Defendants' quotes to the BBA did not reflect their true costs of borrowing but instead reflected Defendants' scheme to unlawfully manipulate LIBOR.

110. Defendants never disclosed to Plaintiffs the inaccuracy of their quotes to the BBA or that Defendants had manipulated LIBOR to cause it to be lower than it should have been, and perpetrated an ongoing conspiracy to do so.

111. The inaccuracy of Defendants' reported quotes and their scheme to manipulate LIBOR were material facts of which Plaintiffs were unaware. If Defendants had disclosed those facts, Plaintiffs would not have purchased the subject securities, or at least would have demanded appropriately higher interest rates on those securities. Plaintiffs relied on the accuracy of Defendants' quotes, on the accuracy of LIBOR, and on the other statements by Defendants that did not include these material omissions.

112. Defendants' concealment of the inaccuracy of their reported quotes and their scheme to manipulate LIBOR damaged Plaintiffs because Plaintiffs received lower returns (via lower interest rates) than they would have had LIBOR been accurately and honestly set, or had Plaintiffs purchased securities not paying interest as a function of LIBOR.

FIFTH CLAIM FOR RELIEF

Violation of Section 11 of the Securities Act of 1933, 15 U.S.C. § 77k

113. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

114. For purposes of this claim, Plaintiffs expressly disclaim and exclude any allegations that could be construed as alleging fraud or intentional or reckless misconduct, as this cause of action is based expressly on claims of strict liability or negligence under the Securities Act.

115. Plaintiffs bring this claim in connection with all LIBOR-based notes or other

securities Plaintiffs purchased in offerings during the Relevant Period.

116. Each Defendant filed registration statements and other related documents in connection with each of the subject offerings.

117. Those registration statements and other related documents contained materially false statements of fact, or omitted to state facts necessary to make the statements therein not misleading. Specifically, the documents omitted to state that Defendants, as set forth above, had manipulated LIBOR in a downward direction by providing inaccurate quotes to the BBA and that Defendants perpetuated an ongoing scheme to continue their manipulation. Moreover, representations in the subject registration statements and related documents that the interest rates for the subject securities would be based on LIBOR were false or misleading as a result of Defendants' manipulation of LIBOR. Thus references to "LIBOR" in those documents constitute affirmative misstatements.

118. None of the Defendants made a reasonable investigation or possessed reasonable grounds to believe that the statements contained in the registration statements were true or that there was no omission of material facts necessary to make the statements made therein not misleading.

119. By reason of the conduct herein alleged, each Defendant violated Section 11 of the Securities Act.

120. As a direct and proximate result of Defendants' acts and omissions in violation of the Securities Act, the prices or values of the notes and other securities sold in the subject offerings were artificially inflated, and Plaintiffs suffered substantial damage in connection with their ownership of those securities.

121. As issuers of the subject securities, each Defendant is strictly liable to Plaintiffs for the material omissions identified above.

122. Plaintiffs obtained the subject securities without knowledge of the facts concerning the misstatements or omissions alleged herein.

123. This action is brought within one year after discovery of the untrue statements and omissions should have been made through the exercise of reasonable diligence, and within three

years of the effective date of the subject registration statements.

124. Plaintiffs are entitled to damages under Section 11 from each Defendant, as measured by the provisions of Section 11(e).

SIXTH CLAIM FOR RELIEF

Violation of Section 12(a)(2) of the Securities Act of 1933

125. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

126. For purposes of this claim, Plaintiffs expressly disclaim and exclude any allegations that could be construed as alleging fraud or intentional or reckless misconduct, as this cause of action is based expressly on claims of strict liability or negligence under the Securities Act.

127. Defendants were sellers, offerors, underwriters or solicitors of sales of securities issued by Defendants to Plaintiffs through prospectuses or oral communications during the Relevant Period.

128. The prospectuses or oral communications contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and concealed and failed to disclose material facts. Defendants' actions of solicitation included participating in the preparation of the false and misleading prospectuses or oral communications.

129. Defendants owed to the purchasers of the subject securities, including Plaintiffs, the duty to make a reasonable and diligent investigation of the statements contained in the prospectuses or oral communications, to insure that such statements were true and that there was not omission to state a material fact required to be stated in order to make the statements contained therein not misleading. Defendants knew of, or in the exercise of reasonable care should have known of, the misstatements and omissions contained in the prospectuses or oral communications, as set forth above.

130. Plaintiffs purchased or otherwise acquired securities pursuant to or traceable to the defective prospectuses or oral communications. Plaintiffs did not know, nor in the exercise of

reasonable diligence could have known, of the untruths and omissions.

131. Plaintiffs hereby offer to tender to Defendants those securities Plaintiffs continue to own, in return for the considerations paid for those securities, together with interest thereon.

132. By reason of the conduct alleged herein, Defendants violated, or controlled a person who violated, Section 12(a)(2) of the Securities Act. Accordingly, Plaintiffs have the right to rescind and recover the consideration paid for the subject securities and hereby elect to rescind and tender those securities to Defendants. Plaintiffs are entitled to rescissionary damages with respect to those subject securities they have sold.

133. Less than three years have elapsed from the time that the securities upon which this count is brought were sold to the public to the time of the filing of this action. Less than one year has elapsed from the time when Plaintiffs discovered or reasonably could have discovered the facts upon which this count is based to the time of the filing of this action.

SEVENTH CLAIM FOR RELIEF

Violation of Section 15 of the Securities Act of 1933, 15 U.S.C. § 77o

134. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

135. This cause of action is being brought under Section 15 of the Securities Act, 15 U.S.C. §77o, against the LIBOR Panel Defendants. This Count is based solely on strict liability and negligence, and does not sound in fraud. Any allegations of fraud or fraudulent conduct or motive are specifically excluded. For purposes of asserting this and its other claims under the Securities Act, Plaintiffs do not allege that the LIBOR Panel Defendants acted with intentional, reckless or otherwise fraudulent intent.

136. Each of the LIBOR Panel Defendants, by virtue of its position as a parent company or otherwise controlling entity of one or more of the Securities Dealer Defendants, was a control person of one or more of the Securities Dealer Defendants.

137. As a result, the LIBOR Panel Defendants are liable under Section 15 of the Securities Act for the Securities Dealer Defendants' primary violations of Sections 11 or 12(a)(2)

of the Securities Act.

EIGHTH CLAIM FOR RELIEF

Violation of Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 Thereunder

138. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

139. Beginning in 2007, Defendants carried out a plan, scheme and course of conduct that was intended to and did: (i) deceive the investing public, including Plaintiffs, as alleged herein; and (ii) cause Plaintiffs to purchase securities at artificially inflated prices. In furtherance of their unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

140. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business that operated as a fraud and deceit on the purchasers of the their securities in an effort to cause LIBOR to be set at an artificially low rate, which in turn allowed Defendants to pay lower interest rates on the notes and other securities Plaintiffs acquired from Defendants and other issuers, in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

141. Defendants, directly and indirectly, by the use, means or instrumentalities of interstate commerce or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the manipulation of LIBOR as specified herein.

142. Defendants employed devices, schemes and artifices to defraud while in possession of material adverse non-public information, and engaged in acts, practices and a course of conduct as alleged herein in an effort to secretly manipulate LIBOR, which included the making of, or participation in the making of, untrue statements of material facts and omitting to state material facts necessary to make Defendants' statements during the Relevant Period—including their representations that the rates of the securities Defendants sold to Plaintiffs were based on LIBOR—in the light of the circumstances under which they were made, not misleading,

as set forth more particularly herein. Moreover, Defendants engaged in transactions, practices and a course of business that operated as a fraud and deceit upon the purchasers of the subject securities during the Relevant Period, including Plaintiffs.

143. Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to Defendants. Defendants perpetrated such material misrepresentations or omissions knowingly or recklessly and for the purpose and effect of concealing Defendants' manipulation of LIBOR from the investing public, including Plaintiffs, and allowing Defendants to reap improper gains by failing to pay to Plaintiffs the true (higher) rates on the subject securities.

144. As a result of Defendants' dissemination of materially false and misleading information and their failure to disclose material facts, as set forth above, Defendants caused LIBOR to be artificially low during the Relevant Period. The artificially depressed LIBOR rates caused the interest rates on the subject securities (which were based on the artificially low LIBOR rates) to be correspondingly, and artificially, low, which deprived Plaintiffs of returns they otherwise would have realized on those securities. In ignorance of those facts, and reasonably relying directly or indirectly on Defendants' false and misleading statements, or on the integrity of the market in which the securities traded, or on the absence of material adverse information that Defendants knew or recklessly disregarded but was not disclosed by Defendants during the Relevant Period, Plaintiffs acquired notes and other LIBOR-based securities during the Relevant Period and received lower payments on those securities than they otherwise would have.

145. At the time of said misrepresentations and omissions, Plaintiffs were unaware the misrepresentations and omissions were false or misleading, and believed them to be true. Had Plaintiffs known the truth regarding Defendants' manipulation of LIBOR, which Defendants did not disclose, Plaintiffs would not have purchased or otherwise acquired the subject securities, or at least would have demanded appropriately higher interest rates on those securities.

146. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs suffered damages in connection with their purchases of the subject securities during the Relevant

Period.

147. This action was filed within two years of discovery of the facts constituting the violation and within five years of the violation.

NINTH CLAIM FOR RELIEF

Violation of Section 20(a) of the Securities Exchange Act of 1934

148. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

149. The LIBOR Panel Defendants acted as controlling persons of the Securities Dealer Defendants within the meaning of Section 20(a) of the Exchange Act as alleged herein. Each of the LIBOR Panel Defendants, by virtue of its position as a parent company or otherwise controlling entity of one or more of the Securities Dealer Defendants, was a control person of one or more of the Securities Dealer Defendants, possessing the power and authority to cause one or more of the Securities Dealer Defendants to engage in the wrongful conduct complained of herein. The LIBOR Panel Defendants were provided with or had unlimited access to copies of the statements alleged by Plaintiffs to be misleading prior to and/or shortly after those statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

150. As set forth above, the Securities Dealer Defendants (as well as the LIBOR Panel Defendants) each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By reason of such conduct, the LIBOR Panel Defendants are liable under Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs suffered damages in connection with their purchases of the subject securities during the Relevant Period.

TENTH CLAIM FOR RELIEF

Violation of the Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. §§ 1961 *et seq.*

151. Plaintiffs incorporate by reference and reallege the preceding allegations as though

fully set forth herein.

Defendants Engaged In Conduct Actionable Under RICO.

152. 18 U.S.C. § 1962(c) makes it illegal for "any person employed by or associated with any enterprise engaged in, or the activities of which affect, interstate or foreign commerce, to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity or collection of unlawful debt."

153. 18 U.S.C. § 1962(d), in turn, makes it "unlawful for any person to conspire to violate any of the provisions of subsection (a), (b), or (c) of this section."

154. Under 18 U.S.C. § 1961(1), and as applicable to Section 1962, "racketeering activity" means (among other things) acts indictable under certain sections of Title 18, including 18 U.S.C. § 1341 (relating to mail fraud), 18 U.S.C. § 1343 (relating to wire fraud), and 18 U.S.C. § 1344 (relating to financial institution fraud).

155. 18 U.S.C. § 1961(5) provides that, to constitute a "pattern of racketeering activity," conduct "requires at least two acts of racketeering activity, one of which occurred after the effective date of this chapter and the last of which occurred within ten years (excluding any period of imprisonment) after the commission of a prior act of racketeering activity."

156. 18 U.S.C. § 1961(3) defines "person" as "any individual or entity capable of holding a legal or beneficial interest in property," and 18 U.S.C. § 1961(4) defines "enterprise" as "any individual, partnership, corporation, association, or other legal entity, and any union or group of individuals associated in fact although not a legal entity."

157. 18 U.S.C. § 1341, the mail fraud statute invoked by 18 U.S.C. § 1961(1) as a predicate act, makes it unlawful to have "devised or intend[ed] to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, or to sell, dispose of, loan, exchange, alter, give away, distribute, supply, or furnish or procure for unlawful use any counterfeit or spurious coin, obligation, security, or other article, or anything represented to be or intimated or held out to be such counterfeit or spurious article, for the purpose of executing such scheme or artifice or attempting so to do, places in any post office or authorized depository for mail matter, any matter or thing

whatever to be sent or delivered by the Postal Service, or deposits or causes to be deposited any matter or thing whatever to be sent or delivered by any private or commercial interstate carrier, or takes or receives therefrom, any such matter or thing, or knowingly causes to be delivered by mail or such carrier according to the direction thereon, or at the place at which it is directed to be delivered by the person to whom it is addressed, any such matter or thing, shall be fined under this title or imprisoned not more than 20 years, or both. If the violation affects a financial institution, such person shall be fined not more than $1,000,000 or imprisoned not more than 30 years, or both."

158. 18 U.S.C. § 1343, the wire fraud statute invoked by 18 U.S.C. § 1961(1) as a predicate act, provides that "[w]hoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, transmits or causes to be transmitted by means of wire, radio, or television communication in interstate or foreign commerce, any writings, signs, signals, pictures, or sounds for the purpose of executing such scheme or artifice, shall be fined under this title or imprisoned not more than 20 years, or both."

159. 18 U.S.C. § 1344, the federal bank fraud statute invoked by 18 U.S.C. § 1961(1) as a predicate act, states:

> Whoever knowingly executes, or attempts to execute, a scheme or artifice –
>
> 1. to defraud a financial institution, or
>
> 2. to obtain any of the moneys, funds, credits, assets, securities, or other property owned by, or under the custody or control of, a financial institution, by means of false or fraudulent pretenses, representations, or promises shall be fined not more than $1,000,000 or imprisoned for not more than 30 years, or both.

160. At all relevant times, Defendants, including the employees who conducted Defendants' affairs through illegal acts (including by communicating false interest rate quotes to the BBA or directing other employees to do so) were "person[s]" within the meaning of 18 U.S.C. § 1961(4), with a definable corporate structure and a hierarchy of corporate direction and control.

161. At all relevant times, Plaintiffs were "person[s]" within the meaning of 18 U.S.C.

§ 1961(3).

Defendants Formed A RICO Enterprise.

162. Defendants' collective association, including through the LIBOR Panel Defendants' participation together as members of the BBA's U.S. Dollar LIBOR panel, constitutes the RICO enterprise in this case. Every member of the enterprise participated in the process of misrepresenting their costs of borrowing to the BBA. Using those false quotes to cause the BBA to set LIBOR artificially low, thereby allowing Defendants to increase their net interest revenues by making artificially low payments to investors such as Plaintiffs, constitutes the common purpose of the enterprise.

The Enterprise Has Perpetrated A Continuing Practice Of Racketeering.

163. For at least four years before this Complaint was filed, Defendants, in concert, made false statements to the BBA for the purpose and with the effect of manipulating LIBOR to be lower than it otherwise would have been. Defendants did so for the purpose and with the effect of decreasing their payments to investors such as Plaintiffs and increasing their net interest revenues. Defendants earned hundreds of millions, if not billions, of dollars in wrongful profits as a result, which they shared with the employees who perpetrated the scheme. The conduct of every party involved in the scheme is hardly an isolated occurrence that resulted in one fraudulent charge.

164. In perpetrating the fraudulent scheme, each Defendant directly or indirectly through its corporate structure has designed and implemented a uniform scheme to manipulate LIBOR. Defendants' daily making and communicating of quotes to the BBA comprise one common, uniform nearly identical system of procedures used in virtually an identical way every day.

165. For at least the past four years, Defendants have knowingly, intentionally or recklessly engaged in an ongoing pattern of racketeering under 18 U.S.C. § 1962(c) by committing the predicate acts of mail fraud within the meaning of 18 U.S.C. § 1341, wire fraud within the meaning of 18 U.S.C. § 1343, and bank fraud within the meaning of 18 U.S.C. § 1344(2), by knowingly and intentionally implementing the scheme to make false statements

about their costs of borrowing, to manipulate LIBOR, which allowed Defendants to reap unlawful profits.

166. Defendants have committed the predicate act of mail fraud under 18 U.S.C. § 1341, thus triggering Section 1962(c) liability, by devising or intending to "devise a scheme or artifice to defraud" purchasers and holders of notes and other securities, and "for the purpose of executing such scheme or artifice or attempting so to do," placed or knowingly caused to be placed in a post office or authorized depository for mail matter, documents or packages to be sent or delivered by the Postal Service or a private or commercial interstate carrier, or received from those entities such documents or packages, including: (i) documents offering for sale notes and other securities and (ii) correspondence regarding offerings of notes and other securities (the conduct described in this paragraph is referred to as the "Mail Fraud").

167. On information and belief, the Mail Fraud is the result of Defendants "having devised or intended to devise a scheme or artifice to defraud" holders of notes and other securities, for the purpose of obtaining money from those holders of notes and other securities through "false or fraudulent pretenses, representations, or promises."

168. By devising the scheme or artifice to defraud consumers as described herein, and for obtaining money from holders of notes and other securities through "false or fraudulent pretenses, representations, or promises" about LIBOR-based notes and other securities, Defendants transmitted or caused to be transmitted by means of "wire communication in interstate or foreign commerce, . . . writings, signs, signals, [and] pictures," "for the purpose of executing such scheme or artifice," including by: (i) transmitting documents offering notes and other securities for sale; (ii) transmitting phony statements about their costs of borrowing; (iii) transmitting e-mail communications relating to the process of determining, making or transmitting phony statements about their borrowing costs; (iv) collecting funds from Plaintiffs via electronic fund transfers or electronic communication with Plaintiffs' bank or credit card institution; or (v) transmitting payments to Plaintiffs.

169. In addition to that conduct, Plaintiffs are informed and believe Defendants used the mails and wires in conjunction with reaching their agreement to make false statements about their

costs of borrowing, to manipulate LIBOR.

170. Plaintiffs do not base their RICO claims on any conduct that would have been actionable as fraud in the purchase or sale of securities.

The Racketeering Scheme Affected Interstate Commerce.

171. Through the racketeering scheme described above, Defendants used the enterprise to improperly increase their profits to the detriment of holders of notes and other securities, who resided in different states.

172. Plaintiffs' allegations satisfy RICO's "interstate commerce" element because the racketeering claims alleged herein arise out of, and are based on, Defendants' use of the Internet or the mails across state lines as well as agreements between entities in different states to manipulate LIBOR. Using those interstate channels to coordinate the scheme and transmit fraudulent statements to Plaintiffs across state lines satisfies RICO's requirement of an effect on interstate commerce.

Defendants Conspired To Violate RICO.

173. Apart from constructing and carrying out the racketeering scheme detailed above, Defendants conspired to violate RICO, constituting a separate violation of RICO under 18 U.S.C. § 1962(d).

174. The fraudulent scheme, as set forth above, alleges a violation of RICO in and of itself.

175. Defendants organized and implemented the scheme, and ensured it continued uninterrupted by concealing their manipulation of LIBOR from investors, including Plaintiffs.

176. Defendants knew the scheme would defraud purchasers and holders of notes and other securities of millions of dollars of interest, yet each Defendant remained a participant despite the fraudulent nature of the enterprise. At any point while the scheme has been in place, any of the participants could have ended the scheme by abandoning the conspiracy and notifying the public and law enforcement authorities of its existence. Rather than stopping the scheme, however, the members of the enterprise deliberately chose to continue it, to the direct detriment of investors such as Plaintiffs.

Plaintiffs Suffered Injury Resulting From The Pattern of Racketeering Activity.

177. Because Plaintiffs unknowingly paid money to Defendants for notes and other securities that paid interest at a manipulated rate, and in fact collected less interest than they would have absent the conspiracy, Plaintiffs are direct victims of Defendants' wrongful and unlawful conduct. Plaintiffs' injuries were direct, proximate, foreseeable and natural consequences of Defendants' conspiracy; indeed, those effects were precisely why the scheme was concocted. In making payments to Defendants, Plaintiffs gave money in the custody or control of financial institutions. There are no independent factors that account for Plaintiffs' economic injuries, and the loss of money satisfies RICO's injury requirement.

178. The pattern of racketeering activity, as described in this Complaint, is continuous, ongoing and will continue unless Defendants are enjoined from continuing their racketeering practices. Defendants have consistently demonstrated their unwillingness to discontinue the illegal practices described herein, and they continue their pattern of racketeering as of the filing of this Complaint.

179. Plaintiffs are entitled to recover treble damages for the injuries they have sustained, according to proof, as well as restitution and costs of suit and reasonable attorneys' fees in accordance with 18 U.S.C. § 1964(c).

180. As a direct and proximate result of the subject racketeering activities, Plaintiffs are entitled to an order, in accordance with 18 U.S.C. § 1964(a), enjoining and prohibiting Defendants from further engaging in their unlawful conduct.

ELEVENTH CLAIM FOR RELIEF

Violation of Sections 25400 and 25401 of the California Corporations Code

181. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

182. Defendants, and each of them, acting individually and through a scheme and conspiracy, directly and indirectly, induced Plaintiffs' purchase and retention of the subject LIBOR-based instruments and securities by circulating or disseminating, in or from California, information for the purpose of inducing Plaintiffs to purchase and hold LIBOR-based instruments

and securities. Defendants omitted to inform Plaintiffs that they were engaged in an ongoing scheme to suppress LIBOR that would cause any holder of the subject LIBOR-based instruments and securities to receive lower payments than it otherwise would. Defendants knew their statements were false or misleading in light of the circumstances under which they were made. Defendants intended that Plaintiffs would be misled and would purchase LIBOR-based instruments and securities based on false information. Despite their knowledge, Defendants continued to make the misrepresentations to induce Plaintiffs to purchase LIBOR-based instruments and securities.

183. Defendants, and each of them, are liable under Sections 25500 and 25501 of the California Corporations Code for willfully participating in acts or transactions in violation of Sections 25400 and 25401 of the Corporations Code or for knowingly providing substantial assistance to violations of Sections 25400 and 25401 in violation of Section 25403. Defendants are therefore liable to Plaintiffs, who purchased LIBOR-based instruments and securities at a price affected by Defendants' acts, for damages sustained as a result of such violations.

184. Under Section 25504 of the California Corporations Code, Defendants, and each of them, are also liable as control persons, officers, principals, employees, broker-dealers or agents who provided material aid to a person in violation of Section 25503.

185. Plaintiffs are entitled to prejudgment interest at the legal rate on their economic damages.

TWELFTH CLAIM FOR RELIEF

Breach of the Implied Covenant of Good Faith (under California Law)

186. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

187. Plaintiffs contracted to purchase from Defendants LIBOR-based instruments and securities.

188. Plaintiffs performed all of their obligations under the applicable contracts.

189. All conditions required for Defendants' performance of those contracts were satisfied.

190. Defendants unfairly interfered with Plaintiffs' right to receive the benefits of the subject contracts by secretly manipulating LIBOR to be lower than it otherwise would have been, as alleged in the foregoing paragraphs of this Complaint.

191. Plaintiffs received less interest and lower returns on the LIBOR-based instruments and securities than they would have absent Defendants' manipulation of LIBOR, and were therefore harmed.

THIRTEENTH CLAIM FOR RELIEF

Unjust Enrichment (under California Law)

192. By means of their unlawful conduct set forth in this Complaint—including misrepresenting their costs of borrowing to the BBA to manipulate LIBOR—Defendants knowingly acted in an unfair, unconscionable and oppressive manner toward Plaintiffs.

193. Through their unlawful conduct, Defendants knowingly received and retained wrongful benefits and funds from Plaintiffs. Defendants thereby actd with conscious disregard for Plaintiffs' rights.

194. As a result of their unlawful conduct, Defendants have realized substantial ill-gotten gains. Defendants have unlawfully manipulated LIBOR at the expense of, and to the detriment of, Plaintiffs, and to Defendants' benefit and enrichment.

195. Plaintiffs' detriment and Defendants' enrichment are traceable to, and resulted directly and proximately from, the conduct challenged in this Complaint.

196. Under the common law doctrine of unjust enrichment, it is inequitable to permit Defendants to retain the benefits they received, and are still receiving, without justification, from their manipulation of LIBOR in an unfair, unconscionable and oppressive manner. Defendants' retention of such funds under circumstances making it inequitable to do so constitutes unjust enrichment.

197. The financial benefits Defendants derived rightfully belong to Plaintiffs. The Court should compel Defendants to disgorge, in a common fund for Plaintiffs' benefit, all unlawful or inequitable proceeds Defendants received. The Court should impose a constructive trust upon all unlawful or inequitable sums Defendants received that are traceable to Plaintiffs.

198. Plaintiffs have no adequate remedy at law.

FOURTEENTH CLAIM FOR RELIEF

Cartwright Act, Cal. Bus. & Prof. Code §§ 16720, et seq.

199. Plaintiffs incorporate by reference and reallege the preceding allegations as though fully set forth herein.

200. Defendants entered into and engaged in an unlawful trust in restraint of the trade and commerce described above in violation of California Business and Professions Code section 16720.

201. During the Relevant Period, Defendants controlled what LIBOR rate would be reported and therefore controlled prices in the market for securities and contracts paying returns based on LIBOR. Defendants competed in this market.

202. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained or made artificial prices for LIBOR-based instruments and securities. Defendants' conspiracy constitutes a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade.

203. Defendants' conspiracy, and the resulting impact on the market for LIBOR-based instruments and securities, occurred in and affected interstate and international commerce.

204. As a proximate result of Defendants' unlawful conduct, Plaintiffs have suffered injury to their business or property.

205. Accordingly, Plaintiffs seek three times their damages caused by Defendants' violations of the Cartwright Act, the costs of bringing suit, reasonable attorneys' fees, and a permanent injunction enjoining Defendants' from ever again entering into similar agreements in violation of the Cartwright Act.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for relief as follows:

(A) That the Court enter an order declaring that Defendants' actions as set forth in this

Complaint, and in other respects, violate the law;

(B) That the Court enter judgment awarding Plaintiffs damages against Defendants for all economic, monetary, actual, consequential and compensatory damages Plaintiffs suffered as a result of Defendants' conduct, or rescission, together with pre- and post-judgment interest at the maximum rate allowable by law;

(C) That the Court award Plaintiffs exemplary or punitive damages against Defendants to the extent allowable by law;

(D) That the Court award Plaintiffs damages against Defendants for Defendants' violation of the federal antitrust laws and RICO in an amount to be trebled in accordance with those laws ;

(E) That the Court issue an injunction prohibiting Defendants from continuing the misconduct alleged in this Complaint, including their ongoing manipulation of LIBOR;

(F) That the Court order the disgorgement of the ill-gotten gains Defendants derived from their misconduct

(G) That the Court award Plaintiffs restitution of all amounts they paid to Defendants as consideration for notes and other financial instruments affected by Defendants' misconduct;

(H) That the Court award Plaintiffs their costs of suit, including reasonable attorneys' fees and expenses; and

(I) That the Court award such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiffs respectfully demand a trial by jury of all issues so triable.

Dated: August 23, 2011

LIEFF, CABRASER, HEIMANN & BERNSTEIN, LLP

By: ______________________________

Richard M. Heimann (State Bar No. 063607)
Joseph R. Saveri (State Bar No. 130064)
Eric B. Fastiff (State Bar No. 182260)
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Lowell Haky (State Bar No. 178526)
Vice President and Associate General Counsel
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San Francisco, California 94105
Telephone: (415) 667-0622
Facsimile: (415) 667-1638

Attorneys for Plaintiffs

Remember to reach out to [redacted] re LIBOR

Item ID:	31706
From:	Timothy Lee <timoth31@gmail.com>
To:	Timothy Lee <timothy.lee@fhfaoig.gov>
Subject:	Remember to reach out to [redacted] re LIBOR
Sent:	August 28, 2012 10:05 PM
Received:	August 28, 2012 10:05 PM

Also hit up [redacted] again -- ----- Timothy Lee 646-359-3710 timoth31@gmail.com

RE: LIBOR

Item ID:	31707
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted]
Subject:	RE: LIBOR
Sent:	August 29, 2012 8:07 AM
Received:	August 29, 2012 8:07 AM

Hi [redacted], Hope all remains well with you. I'm back from vacation. Even got the chance to do a little leisure reading . When you free up for a conversation, let me know. Best, Tim From: [redacted] Sent: Thursday, August 16, 2012 10:29 AM To: Lee, Timothy Subject: Re: LIBOR Lucky you. Week of the 27th it is. [redacted] Message sent from a Blackberry device From : Lee, Timothy < Timothy.Lee@fhfaoig.gov > To : [redacted] Sent : Thu Aug 16 10:16:40 2012 Subject : RE: LIBOR Alas, I will be on Cape Cod next week. Perhaps the subsequent week, starting the 27 th ? From: [redacted] Sent: Thursday, August 16, 2012 10:01 AM To: Lee, Timothy Subject: Re: LIBOR Tim Great to hear from you. I'm out this week but would love to catch up. How about Monday or Tuesday at 4. [redacted] Message sent from a Blackberry device From : Lee, Timothy < Timothy.Lee@fhfaoig.gov > To : [redacted] Parker, Richard < [redacted] Sent : Thu Aug 16 07:36:25 2012 Subject : LIBOR Hi [redacted] We, um, couldn't help but notice what you folks have been up to lately . [redacted]. When you have a free moment, could you give me a buzz? Best, Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821 Confidentiality Notice: The information in this email and any attachments may be confidential or privileged under applicable law, or otherwise protected from disclosure to anyone other than the intended recipient(s). Any use, distribution, or copying of this email, including any of its contents or attachments by any person other than the intended recipient, or for any purpose other than its intended use, is strictly prohibited. If you believe you received this email in error, please permanently delete it and any attachments, and do not save, copy, disclose, or rely on any part of the information. Please call the OIG at 202-730-4949 if you have any questions or to let us know you received this email in error. Confidentiality Notice: The information in this email and any attachments may be confidential or privileged under applicable law, or otherwise protected from disclosure to anyone other than the intended recipient(s). Any use, distribution, or copying of this email, including any of its contents or attachments by any person other than the intended recipient, or for any purpose other than its intended use, is strictly prohibited. If you believe you received this email in error, please permanently delete it and any attachments, and do not save, copy, disclose, or rely on any part of the information. Please call the OIG at 202-730-4949 if you have any questions or to let us know you received this email in error.

LIBOR

Item ID:	31709
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	fred.graham@fhfa.gov
Cc:	Timothy.Friedman@fhfa.gov
Subject:	LIBOR
Sent:	August 29, 2012 10:12 AM
Received:	August 29, 2012 10:12 AM

Hi Fred, Thought I should follow up. Should you and I reach out to the Enterprises together? Should I introduce them directly to my contact at DOJ? Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Libor case

Item ID:	31710
From:	[redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>, [redacted]
Subject:	Libor case
Sent:	August 29, 2012 10:14 AM
Received:	August 29, 2012 10:14 AM

Hi guys, I spoke with [redacted] about getting together. I think he said he was in Indianapolis this week but would like to get together next week. I am not going to be there so I am hoping we can put it off or I can arrange a conference call for you guys. As a fyi, embarrassingly (since he is from my organization) he is quite arrogant with only 7 years' experience. I am working on it. On a positive note, I know his supervisor but that would be my last resort and not sure I'd opt for that route anyway.

RE: Libor case

Item ID:	31711
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted] </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=[redacted], [redacted] </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=61e82b6eb7a942799b83386155b2ad80-[redacted]
Subject:	RE: Libor case
Sent:	August 29, 2012 10:18 AM
Received:	August 29, 2012 10:18 AM

I have a bit of preference for an in-person meeting, but am happy to help in any way. What is the specific agenda/context: a specific project, or a more general meet-and-greet so they have us on call as events develop? And out of curiosity: do his talents and abilities match his opinion of himself? I can work with people who cash the checks they write – but, alas, since I started working for the Government, I've had quite my fill of people who can't. From: [redacted] Sent: Wednesday, August 29, 2012 10:15 AM To: Lee, Timothy; [redacted] Subject: Libor case Hi guys, I spoke with [redacted] about getting together. I think he said he was in Indianapolis this week but would like to get together next week. I am not going to be there so I am hoping we can put it off or I can arrange a conference call for you guys. As a fyi, embarrassingly (since he is from my organization) he is quite arrogant with only 7 years' experience. I am working on it. On a positive note, I know his supervisor but that would be my last resort and not sure I'd opt for that route anyway.

RE: LIBOR

Item ID:	31712
From:	Graham, Fred C. <Fred.Graham@fhfa.gov>
To:	Timothy Lee <Timothy.Lee@fhfaoig.gov>
Cc:	Friedman, Timothy <Timothy.Friedman@fhfa.gov>
Subject:	RE: LIBOR
Sent:	August 29, 2012 10:52 AM
Received:	August 29, 2012 10:53 AM

Tim, I met with Jon Greenlee and Steve Cross yesterday. They would like to meet with you to discuss the issue. They are currently contacting their respective regulated entities to see if they are considering any action on the matter. Could you meet with them and me next week after they've had a chance to gather that information? 9 AM or 1 PM on Wednesday or 10 AM, 3 PM , or 4 PM on Thursday look like possibilities. Thanks. Fred Acting Deputy Director, Division of Supervision Policy and Support Associate Director, Office of Risk Analysis Division of Supervision Policy and Support Federal Housing Finance Agency [redacted] (b) (6) From: Timothy Lee Sent: Wednesday, August 29, 2012 10:12 AM To: Graham, Fred C. Cc: Friedman, Timothy Subject: LIBOR Hi Fred, Thought I should follow up. Should you and I reach out to the Enterprises together? Should I introduce them directly to my contact at DOJ? Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

LIBOR

Item ID:	31713
Sent:	August 29, 2012 10:57 AM
Received:	August 29, 2012 10:57 AM
Type:	Calendar Entry

FW: LIBOR

Item ID:	31714
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Subject:	FW: LIBOR
Sent:	August 29, 2012 11:00 AM
Received:	August 29, 2012 11:00 AM

Hi Old Salt, I have sent the Agency a planner for 1300 on Wednesday, the 5 th to discuss. [redacted] accompanied me to DOJ, and it seems sensible to ask her to accompany me. Will also tell DOJ contact that we have a meeting set up, so they remain in the loop. Tim From: Graham, Fred C. [mailto:Fred.Graham@fhfa.gov] Sent: Wednesday, August 29, 2012 10:53 AM To: Lee, Timothy Cc: Friedman, Timothy Subject: RE: LIBOR Tim, I met with Jon Greenlee and Steve Cross yesterday. They would like to meet with you to discuss the issue. They are currently contacting their respective regulated entities to see if they are considering any action on the matter. Could you meet with them and me next week after they've had a chance to gather that information? 9 AM or 1 PM on Wednesday or 10 AM, 3 PM , or 4 PM on Thursday look like possibilities. Thanks. Fred Acting Deputy Director, Division of Supervision Policy and Support Associate Director, Office of Risk Analysis Division of Supervision Policy and Support Federal Housing Finance Agency [redacted] From: Timothy Lee Sent: Wednesday, August 29, 2012 10:12 AM To: Graham, Fred C. Cc: Friedman, Timothy Subject: LIBOR Hi Fred, Thought I should follow up. Should you and I reach out to the Enterprises together? Should I introduce them directly to my contact at DOJ? Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

LIBOR

Item ID: 31715
Sent: August 29, 2012 11:01 AM
Received: August 29, 2012 11:01 AM
Type: Calendar Entry

RE: LIBOR

Item ID:	31717
From:	Parker, Richard <Richard.Parker@fhfaoig.gov>
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: LIBOR
Sent:	August 29, 2012 11:02 AM
Received:	August 29, 2012 11:02 AM

[redacted] (b) (5)

[redacted] From: Lee, Timothy Sent: Wednesday, August 29, 2012 11:01 AM To: Parker, Richard Subject: FW: LIBOR Hi Old Salt, I have sent the Agency a planner for 1300 on Wednesday, the 5 th to discuss. [redacted] (b) (6) accompanied me to DOJ, and it seems sensible to ask her to accompany me. Will also tell DOJ contact that we have a meeting set up, so they remain in the loop. Tim From: Graham, Fred C. [mailto:Fred.Graham@fhfa.gov] Sent: Wednesday, August 29, 2012 10:53 AM To: Lee, Timothy Cc: Friedman, Timothy Subject: RE: LIBOR Tim, I met with Jon Greenlee and Steve Cross yesterday. They would like to meet with you to discuss the issue. They are currently contacting their respective regulated entities to see if they are considering any action on the matter. Could you meet with them and me next week after they've had a chance to gather that information? 9 AM or 1 PM on Wednesday or 10 AM, 3 PM , or 4 PM on Thursday look like possibilities. Thanks. Fred Acting Deputy Director, Division of Supervision Policy and Support Associate Director, Office of Risk Analysis Division of Supervision Policy and Support Federal Housing Finance Agency [redacted] (b) (6) From: Timothy Lee Sent: Wednesday, August 29, 2012 10:12 AM To: Graham, Fred C. Cc: Friedman, Timothy Subject: LIBOR Hi Fred, Thought I should follow up. Should you and I reach out to the Enterprises together? Should I introduce them directly to my contact at DOJ? Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821 Confidentiality Notice: The information in this email and any attachments may be confidential or privileged under applicable law, or otherwise protected from disclosure to anyone other than the intended recipient(s). Any use, distribution, or copying of this email, including any of its contents or attachments by any person other than the intended recipient, or for any purpose other than its intended use, is strictly prohibited. If you believe you received this email in error, please permanently delete it and any attachments, and do not save, copy, disclose, or rely on any part of the information. Please call the OIG at 202-730-4949 if you have any questions or to let us know you received this email in error.

FW: LIBOR

Item ID:	31716
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted] </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=8e7806771e6a4a00bdc45eca75864a81-[redacted]>
Subject:	FW: LIBOR
Sent:	August 29, 2012 11:02 AM
Received:	August 29, 2012 11:02 AM

Hi [redacted], You just got a meeting planner with FHFA about the LIBOR case. Care to accompany me to this September 5 meeting with them? Will fill you in on details – perhaps late this afternoon if that suits you. Tim From: Graham, Fred C. [mailto:Fred.Graham@fhfa.gov] Sent: Wednesday, August 29, 2012 10:53 AM To: Lee, Timothy Cc: Friedman, Timothy Subject: RE: LIBOR Tim, I met with Jon Greenlee and Steve Cross yesterday. They would like to meet with you to discuss the issue. They are currently contacting their respective regulated entities to see if they are considering any action on the matter. Could you meet with them and me next week after they've had a chance to gather that information? 9 AM or 1 PM on Wednesday or 10 AM, 3 PM , or 4 PM on Thursday look like possibilities. Thanks. Fred Acting Deputy Director, Division of Supervision Policy and Support Associate Director, Office of Risk Analysis Division of Supervision Policy and Support Federal Housing Finance Agency [redacted] From: Timothy Lee Sent: Wednesday, August 29, 2012 10:12 AM To: Graham, Fred C. Cc: Friedman, Timothy Subject: LIBOR Hi Fred, Thought I should follow up. Should you and I reach out to the Enterprises together? Should I introduce them directly to my contact at DOJ? Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: LIBOR

Item ID:	31718
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Subject:	RE: LIBOR
Sent:	August 29, 2012 11:04 AM
Received:	August 29, 2012 11:04 AM

[redacted]. Will be just me and [redacted] sitting with the Agency folks From: Parker, Richard Sent: Wednesday, August 29, 2012 11:03 AM To: Lee, Timothy Subject: RE: LIBOR [redacted] From: Lee, Timothy Sent: Wednesday, August 29, 2012 11:01 AM To: Parker, Richard Subject: FW: LIBOR Hi Old Salt, I have sent the Agency a planner for 1300 on Wednesday, the 5 th to discuss. [redacted] accompanied me to DOJ, and it seems sensible to ask her to accompany me. Will also tell DOJ contact that we have a meeting set up, so they remain in the loop. Tim From: Graham, Fred C. [mailto:Fred.Graham@fhfa.gov] Sent: Wednesday, August 29, 2012 10:53 AM To: Lee, Timothy Cc: Friedman, Timothy Subject: RE: LIBOR Tim, I met with Jon Greenlee and Steve Cross yesterday. They would like to meet with you to discuss the issue. They are currently contacting their respective regulated entities to see if they are considering any action on the matter. Could you meet with them and me next week after they've had a chance to gather that information? 9 AM or 1 PM on Wednesday or 10 AM, 3 PM , or 4 PM on Thursday look like possibilities. Thanks. Fred Acting Deputy Director, Division of Supervision Policy and Support Associate Director, Office of Risk Analysis Division of Supervision Policy and Support Federal Housing Finance Agency [redacted] From: Timothy Lee Sent: Wednesday, August 29, 2012 10:12 AM To: Graham, Fred C. Cc: Friedman, Timothy Subject: LIBOR Hi Fred, Thought I should follow up. Should you and I reach out to the Enterprises together? Should I introduce them directly to my contact at DOJ? Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

LIBOR

Item ID:	31719
Sent:	August 29, 2012 11:04 AM
Received:	August 29, 2012 11:04 AM
Type:	Calendar Entry

RE: LIBOR

Item ID:	31720
From:	Parker, Richard [redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: LIBOR
Sent:	August 29, 2012 11:04 AM
Received:	August 29, 2012 11:04 AM

Sounds great. Thanks for letting me know. Hope all is well there. - R From: Lee, Timothy Sent: Wednesday, August 29, 2012 11:04 AM To: Parker, Richard Subject: RE: LIBOR [redacted] Will be just me and [redacted] sitting with the Agency folks From: Parker, Richard Sent: Wednesday, August 29, 2012 11:03 AM To: Lee, Timothy Subject: RE: LIBOR [redacted]? From: Lee, Timothy Sent: Wednesday, August 29, 2012 11:01 AM To: Parker, Richard Subject: FW: LIBOR Hi Old Salt, I have sent the Agency a planner for 1300 on Wednesday, the 5 th to discuss. [redacted] accompanied me to DOJ, and it seems sensible to ask her to accompany me. Will also tell DOJ contact that we have a meeting set up, so they remain in the loop. Tim From: Graham, Fred C. [mailto:Fred.Graham@fhfa.gov] Sent: Wednesday, August 29, 2012 10:53 AM To: Lee, Timothy Cc: Friedman, Timothy Subject: RE: LIBOR Tim, I met with Jon Greenlee and Steve Cross yesterday. They would like to meet with you to discuss the issue. They are currently contacting their respective regulated entities to see if they are considering any action on the matter. Could you meet with them and me next week after they've had a chance to gather that information? 9 AM or 1 PM on Wednesday or 10 AM, 3 PM , or 4 PM on Thursday look like possibilities. Thanks. Fred Acting Deputy Director, Division of Supervision Policy and Support Associate Director, Office of Risk Analysis Division of Supervision Policy and Support Federal Housing Finance Agency [redacted] From: Timothy Lee Sent: Wednesday, August 29, 2012 10:12 AM To: Graham, Fred C. Cc: Friedman, Timothy Subject: LIBOR Hi Fred, Thought I should follow up. Should you and I reach out to the Enterprises together? Should I introduce them directly to my contact at DOJ? Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Declined: LIBOR

Item ID:	31721
Sent:	August 29, 2012 11:47 AM
Received:	August 29, 2012 11:47 AM
Type:	Calendar Entry

RE: LIBOR

Item ID:	31722
From:	[redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Cc:	Conlon, Paul [redacted], Febles, Rene [redacted]
Subject:	RE: LIBOR
Sent:	August 29, 2012 11:50 AM
Received:	August 29, 2012 11:50 AM

Tim: I have a speaking engagement in Baltimore on your new date of 9/6/12 so I cannot make your meeting. Should we have SAC Paul Conlon attend the meeting or SAC for NY Rene Febles who is here this week and next week? Please let me know. Thanks, [redacted] Federal Housing Finance Agency Office of the Inspector General 400 7 th Street SW Washington, DC 20024 ([redacted] From: Lee, Timothy Sent: Wednesday, August 29, 2012 11:03 AM To: [redacted] Subject: FW: LIBOR Hi [redacted], You just got a meeting planner with FHFA about the LIBOR case. Care to accompany me to this September 5 meeting with them? Will fill you in on details – perhaps late this afternoon if that suits you. Tim From: Graham, Fred C. [mailto:Fred.Graham@fhfa.gov] Sent: Wednesday, August 29, 2012 10:53 AM To: Lee, Timothy Cc: Friedman, Timothy Subject: RE: LIBOR Tim, I met with Jon Greenlee and Steve Cross yesterday. They would like to meet with you to discuss the issue. They are currently contacting their respective regulated entities to see if they are considering any action on the matter. Could you meet with them and me next week after they've had a chance to gather that information? 9 AM or 1 PM on Wednesday or 10 AM, 3 PM , or 4 PM on Thursday look like possibilities. Thanks. Fred Acting Deputy Director, Division of Supervision Policy and Support Associate Director, Office of Risk Analysis Division of Supervision Policy and Support Federal Housing Finance Agency [redacted] From: Timothy Lee Sent: Wednesday, August 29, 2012 10:12 AM To: Graham, Fred C. Cc: Friedman, Timothy Subject: LIBOR Hi Fred, Thought I should follow up. Should you and I reach out to the Enterprises together? Should I introduce them directly to my contact at DOJ? Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: LIBOR

Item ID:	31724
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted] </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=8e7806771e6a4a00bdc45eca75864a81-[redacted]
Subject:	RE: LIBOR
Sent:	August 29, 2012 11:52 AM
Received:	August 29, 2012 11:52 AM

I would definitely like a companion for the meeting. If [redacted] is available, we know she has interest in this topic. Alternatively, Paul or Rene would be fine. From: [redacted] Sent: Wednesday, August 29, 2012 11:50 AM To: Lee, Timothy Cc: Conlon, Paul; Febles, Rene Subject: RE: LIBOR Tim: I have a speaking engagement in Baltimore on your new date of 9/6/12 so I cannot make your meeting. Should we have SAC Paul Conlon attend the meeting or SAC for NY Rene Febles who is here this week and next week? Please let me know. Thanks, [redacted] Federal Housing Finance Agency Office of the Inspector General 400 7 th Street SW Washington, DC 20024 [redacted] From: Lee, Timothy Sent: Wednesday, August 29, 2012 11:03 AM To: [redacted] Subject: FW: LIBOR Hi [redacted] You just got a meeting planner with FHFA about the LIBOR case. Care to accompany me to this September 5 meeting with them? Will fill you in on details – perhaps late this afternoon if that suits you. Tim From: Graham, Fred C. [mailto:Fred.Graham@fhfa.gov] Sent: Wednesday, August 29, 2012 10:53 AM To: Lee, Timothy Cc: Friedman, Timothy Subject: RE: LIBOR Tim, I met with Jon Greenlee and Steve Cross yesterday. They would like to meet with you to discuss the issue. They are currently contacting their respective regulated entities to see if they are considering any action on the matter. Could you meet with them and me next week after they've had a chance to gather that information? 9 AM or 1 PM on Wednesday or 10 AM, 3 PM , or 4 PM on Thursday look like possibilities. Thanks. Fred Acting Deputy Director, Division of Supervision Policy and Support Associate Director, Office of Risk Analysis Division of Supervision Policy and Support Federal Housing Finance Agency [redacted] From: Timothy Lee Sent: Wednesday, August 29, 2012 10:12 AM To: Graham, Fred C. Cc: Friedman, Timothy Subject: LIBOR Hi Fred, Thought I should follow up. Should you and I reach out to the Enterprises together? Should I introduce them directly to my contact at DOJ? Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: Libor case

Item ID:	31725
From:	[redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: Libor case
Sent:	August 29, 2012 12:01 PM
Received:	August 29, 2012 12:01 PM

He wants to meet so you can provide an understanding about your loss calculation. He did make a comment that the last quarter 2008 thru 2009, “was a little late.” He provided no further insight. I held the FHLB collective portfolio out as a potential significant victim. He did not know about them and seemed very interested after I told him. From: Lee, Timothy Sent: Wednesday, August 29, 2012 10:19 AM To: [redacted] Subject: RE: Libor case I have a bit of preference for an in-person meeting, but am happy to help in any way. What is the specific agenda/context: a specific project, or a more general meet-and-greet so they have us on call as events develop? And out of curiosity: do his talents and abilities match his opinion of himself? I can work with people who cash the checks they write – but, alas, since I started working for the Government, I’ve had quite my fill of people who can’t. From: [redacted] Sent: Wednesday, August 29, 2012 10:15 AM To: Lee, Timothy; [redacted] Subject: Libor case Hi guys, I spoke with [redacted] about getting together. I think he said he was in Indianapolis this week but would like to get together next week. I am not going to be there so I am hoping we can put it off or I can arrange a conference call for you guys. As a fyi, embarrassingly (since he is from my organization) he is quite arrogant with only 7 years’ experience. I am working on it. On a positive note, I know his supervisor but that would be my last resort and not sure I’d opt for that route anyway.

Accepted: LIBOR

Item ID:	31727
Sent:	August 29, 2012 12:04 PM
Received:	August 29, 2012 12:04 PM
Type:	Calendar Entry

RE: Libor case

Item ID:	31726
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted] </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=[redacted]
Subject:	RE: Libor case
Sent:	August 29, 2012 12:06 PM
Received:	August 29, 2012 12:06 PM

IIRC you have my Excel spreadsheet calculating losses. Our mandate only extends back to 4Q08, so we are limited in what we can demonstrate by way of damages in that respect. And I should point out that the recent Charles Schwab suit hints at a 30-40bp suppression from 4Q08-end 09, which matches what I've heard from an informal source as well. Lots of interesting tidbits, and worth the reading if you have the free time. In light of that, a ten-figure sum starts to seem plausible. I asked [redacted] to go to a meeting with the Agency on this topic next week, [redacted]. If you are free next Thursday afternoon, I'd love to have the company if OI's chain of command approves. Talk to [redacted] if you are interested. From: [redacted] Sent: Wednesday, August 29, 2012 12:01 PM To: Lee, Timothy Subject: RE: Libor case He wants to meet so you can provide an understanding about your loss calculation. He did make a comment that the last quarter 2008 thru 2009, "was a little late." He provided no further insight. I held the FHLB collective portfolio out as a potential significant victim. He did not know about them and seemed very interested after I told him. From: Lee, Timothy Sent: Wednesday, August 29, 2012 10:19 AM To: [redacted] Subject: RE: Libor case I have a bit of preference for an in-person meeting, but am happy to help in any way. What is the specific agenda/context: a specific project, or a more general meet-and-greet so they have us on call as events develop? And out of curiosity: do his talents and abilities match his opinion of himself? I can work with people who cash the checks they write – but, alas, since I started working for the Government, I've had quite my fill of people who can't. From [redacted] Sent: Wednesday, August 29, 2012 10:15 AM To: Lee, Timothy; [redacted] Subject: Libor case Hi guys, I spoke with [redacted] about getting together. I think he said he was in Indianapolis this week but would like to get together next week. I am not going to be there so I am hoping we can put it off or I can arrange a conference call for you guys. As a fyi, embarrassingly (since he is from my organization) he is quite arrogant with only 7 years' experience. I am working on it. On a positive note, I know his supervisor but that would be my last resort and not sure I'd opt for that route anyway.

RE: Libor case

Item ID:	31728
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted] </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=45ad7effd12a4beeb3be31b646cc60d6-[redacted]
Subject:	RE: Libor case
Sent:	August 29, 2012 12:07 PM
Received:	August 29, 2012 12:07 PM

Sorry, forgot to note: [redacted] From: [redacted] Sent: Wednesday, August 29, 2012 12:01 PM To: Lee, Timothy Subject: RE: Libor case He wants to meet so you can provide an understanding about your loss calculation. He did make a comment that the last quarter 2008 thru 2009, "was a little late." He provided no further insight. I held the FHLB collective portfolio out as a potential significant victim. He did not know about them and seemed very interested after I told him. From: Lee, Timothy Sent: Wednesday, August 29, 2012 10:19 AM To: [redacted] Subject: RE: Libor case I have a bit of preference for an in-person meeting, but am happy to help in any way. What is the specific agenda/context: a specific project, or a more general meet-and-greet so they have us on call as events develop? And out of curiosity: do his talents and abilities match his opinion of himself? I can work with people who cash the checks they write – but, alas, since I started working for the Government, I've had quite my fill of people who can't. From: [redacted] Sent: Wednesday, August 29, 2012 10:15 AM To: Lee, Timothy; [redacted] Subject: Libor case Hi guys, I spoke with [redacted] about getting together. I think he said he was in Indianapolis this week but would like to get together next week. I am not going to be there so I am hoping we can put it off or I can arrange a conference call for you guys. As a fyi, embarrassingly (since he is from my organization) he is quite arrogant with only 7 years' experience. I am working on it. On a positive note, I know his supervisor but that would be my last resort and not sure I'd opt for that route anyway.

RE: LIBOR

Item ID:	31729
From:	[redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Cc:	Emerzian, Peter [redacted], Conlon, Paul [redacted] Febles, Rene [redacted]
Subject:	RE: LIBOR
Sent:	August 29, 2012 12:20 PM
Received:	August 29, 2012 12:20 PM

Paul and I are waiting for Peter to get back from lunch to see what how he wants to proceed. Will let you know before cob today. Thank you, [redacted] Federal Housing Finance Agency Office of the Inspector General 400 7 th Street SW Washington, DC 20024 [redacted] From: Lee, Timothy Sent: Wednesday, August 29, 2012 11:52 AM To: [redacted] Subject: RE: LIBOR I would definitely like a companion for the meeting. If [redacted] is available, we know she has interest in this topic. Alternatively, Paul or Rene would be fine. From: [redacted] Sent: Wednesday, August 29, 2012 11:50 AM To: Lee, Timothy Cc: Conlon, Paul; Febles, Rene Subject: RE: LIBOR Tim: I have a speaking engagement in Baltimore on your new date of 9/6/12 so I cannot make your meeting. Should we have SAC Paul Conlon attend the meeting or SAC for NY Rene Febles who is here this week and next week? Please let me know. Thanks, [redacted] Federal Housing Finance Agency Office of the Inspector General 400 7 th Street SW Washington, DC 20024 [redacted] From: Lee, Timothy Sent: Wednesday, August 29, 2012 11:03 AM To: [redacted] Subject: FW: LIBOR Hi [redacted] You just got a meeting planner with FHFA about the LIBOR case. Care to accompany me to this September 5 meeting with them? Will fill you in on details – perhaps late this afternoon if that suits you. Tim From: Graham, Fred C. [mailto:Fred.Graham@fhfa.gov] Sent: Wednesday, August 29, 2012 10:53 AM To: Lee, Timothy Cc: Friedman, Timothy Subject: RE: LIBOR Tim, I met with Jon Greenlee and Steve Cross yesterday. They would like to meet with you to discuss the issue. They are currently contacting their respective regulated entities to see if they are considering any action on the matter. Could you meet with them and me next week after they've had a chance to gather that information? 9 AM or 1 PM on Wednesday or 10 AM, 3 PM , or 4 PM on Thursday look like possibilities. Thanks. Fred Acting Deputy Director, Division of Supervision Policy and Support Associate Director, Office of Risk Analysis Division of Supervision Policy and Support Federal Housing Finance Agency [redacted] From: Timothy Lee Sent: Wednesday, August 29, 2012 10:12 AM To: Graham, Fred C. Cc: Friedman, Timothy Subject: LIBOR Hi Fred, Thought I should follow up. Should you and I reach out to the Enterprises together? Should I introduce them directly to my contact at DOJ? Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Accepted: FW: LIBOR

Item ID:	31730
Sent:	August 29, 2012 2:15 PM
Received:	August 29, 2012 2:15 PM
Type:	Calendar Entry

RE: LIBOR

Item ID:	31731
From:	[redacted] (b) (6)
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: LIBOR
Sent:	August 29, 2012 4:56 PM
Received:	August 29, 2012 4:56 PM

Tim, [redacted] (b) (5) If you need to reach me next week, try [redacted] (b) (6) and leave a message with your phone number. Presumably, [redacted] (b) (6) will also be around next week as well. Take care. [redacted] (b) (6) From: Lee, Timothy [mailto:Timothy.Lee@fhfaoig.gov] Sent: Monday, August 27, 2012 2:22 PM To: [redacted] (b) (6) Subject: FW: LIBOR Hi [redacted] (b) (6), Back in the office today and happened to come across this bit of interesting reading. You may well know more about the background here than I do. Let me know if youâ€™d like to discuss. Iâ€™ve reached out to FHFA today, and should be back in touch fairly soon to discuss getting you some info. Tim From: Lee, Timothy Sent: Monday, August 27, 2012 2:20 PM To: [redacted] (b) (6) Timothy.Friedman@fhfa.gov ; fred.graham@fhfa.gov Cc: [redacted] (b) (6); Parker, Richard; Stephens, Michael Subject: LIBOR Hi folks, A little research today uncovered the claim filed by Charles Schwab with respect to the LIBOR scandal. Youâ€™ll note, sadly, that itâ€™s unprintable (the PDF file, not the language therein). Still, itâ€™s worth sitting at your computer to read. The assertions of fact are very interesting (put together by people with real knowledge of the markets) and suggest that establishment of a necessary pattern is farther along than I had expected. Interestingly, it suggests that the magnitude of the suppression might be in the neighborhood of 30-40 bp through 2008-2009. The Federal law violations it claims include those of the Sherman Act [redacted] (b) (5) the 1933 Act, the 1940 Act, 10b-5 and RICO. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821 Confidentiality Notice: The information in this email and any attachments may be confidential or privileged under applicable law, or otherwise protected from disclosure to anyone other than the intended recipient(s). Any use, distribution, or copying of this email, including any of its contents or attachments by any person other than the intended recipient, or for any purpose other than its intended use, is strictly prohibited. If you believe you received this email in error, please permanently delete it and any attachments, and do not save, copy, disclose, or rely on any part of the information. Please call the OIG at 202-730-4949 if you have any questions or to let us know you received this email in error.

FW: LIBOR

Item ID:	31732
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted] </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=8e7806771e6a4a00bdc45eca75864a81-[redacted]>
Cc:	Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Subject:	FW: LIBOR
Sent:	August 29, 2012 4:57 PM
Received:	August 29, 2012 4:57 PM

From: [redacted] [redacted] Sent: Wednesday, August 29, 2012 4:57 PM To: Lee, Timothy Subject: RE: LIBOR Tim, [redacted]. If you need to reach me next week, try [redacted] and leave a message with your phone number. Presumably, [redacted] will also be around next week as well. Take care. [redacted] From: Lee, Timothy [mailto:Timothy.Lee@fhfaoig.gov] Sent: Monday, August 27, 2012 2:22 PM To: [redacted] Subject: FW: LIBOR Hi [redacted], Back in the office today and happened to come across this bit of interesting reading. You may well know more about the background here than I do. Let me know if you'd like to discuss. I've reached out to FHFA today, and should be back in touch fairly soon to discuss getting you some info. Tim From: Lee, Timothy Sent: Monday, August 27, 2012 2:20 PM To: [redacted]; Timothy.Friedman@fhfa.gov ; fred.graham@fhfa.gov Cc: [redacted] Parker, Richard; Stephens, Michael Subject: LIBOR Hi folks, A little research today uncovered the claim filed by Charles Schwab with respect to the LIBOR scandal. You'll note, sadly, that it's unprintable (the PDF file, not the language therein). Still, it's worth sitting at your computer to read. The assertions of fact are very interesting (put together by people with real knowledge of the markets) and suggest that establishment of a necessary pattern is farther along than I had expected. Interestingly, it suggests that the magnitude of the suppression might be in the neighborhood of 30-40 bp through 2008-2009. The Federal law violations it claims include those of the Sherman Act [redacted], the 1933 Act, the 1940 Act, 10b-5 and RICO. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: LIBOR

Item ID:	31733
From:	[redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: LIBOR
Sent:	August 29, 2012 5:00 PM
Received:	August 29, 2012 5:00 PM

Tomorrow morn Paul, Rene and I have a meet with Peter. I should know then how Peter wants to proceed. Thanks,
[redacted]
Sent from my Windows Phone
From:
Lee, Timothy
Sent:
8/29/2012 4:57 PM
To:
[redacted]
Cc:
Parker, Richard
Subject:
FW: LIBOR
From: [redacted]]
Sent: Wednesday, August 29, 2012 4:57 PM
To: Lee, Timothy
Subject: RE: LIBOR
Tim,
[redacted]
If you need to
reach me next week, try [redacted] and leave a message with your phone number. Presumably, [redacted] will also be around next week as well.
Take care.
[redacted]
From: Lee, Timothy
[mailto:Timothy.Lee@fhfaoig.gov]
Sent: Monday, August 27, 2012 2:22 PM
To: [redacted]
Subject: FW: LIBOR
Hi [redacted]
Back in the office today and happened to come across this bit of interesting reading. You may well know more about the background here than I do. Let me know if youâ€™d like to discuss. Iâ€™ve reached out to FHFA
today, and should be back in touch fairly soon to discuss getting you some info.
Tim
From: Lee, Timothy
Sent: Monday, August 27, 2012 2:20 PM
To: [redacted]; Timothy.Friedman@fhfa.gov ;
fred.graham@fhfa.gov

Cc [redacted]; Parker, Richard; Stephens, Michael
Subject: LIBOR
Hi folks,
A little research today uncovered the claim filed by Charles Schwab with respect to the LIBOR scandal. Youâ€™ll note, sadly, that itâ€™s unprintable (the PDF file, not the language therein). Still, itâ€™s worth sitting at your computer to read.
The assertions of fact are very interesting (put together by people with real knowledge of the markets) and suggest that establishment of a necessary pattern is farther along than I had expected. Interestingly, it suggests that the magnitude of the suppression
might be in the neighborhood of 30-40 bp through 2008-2009. The Federal law violations it claims include those of the Sherman Act [redacted]), the 1933 Act, the 1940 Act, 10b-5 and RICO.
Tim

Timothy Lee
Senior Policy Advisor, FHFA-OIG
202-730-2821

RE: LIBOR - meet Sept 6th

Item ID:	31734
From:	[redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Cc:	Conlon, Paul [redacted]
Subject:	RE: LIBOR - meet Sept 6th
Sent:	August 30, 2012 4:16 PM
Received:	August 30, 2012 4:16 PM

Tim: After discussion with Peter, he asked that Paul Conlon accompany you to the below meeting. Regards, [redacted] Federal Housing Finance Agency Office of the Inspector General 400 7 th Street SW Washington, DC 20024 [redacted] From: [redacted] Sent: Wednesday, August 29, 2012 5:00 PM To: Lee, Timothy Subject: RE: LIBOR Tomorrow morn Paul, Rene and I have a meet with Peter. I should know then how Peter wants to proceed. Thanks, [redacted] Sent from my Windows Phone From: Lee, Timothy Sent: 8/29/2012 4:57 PM To: [redacted] Cc: Parker, Richard Subject: FW: LIBOR From: [redacted]] Sent: Wednesday, August 29, 2012 4:57 PM To: Lee, Timothy Subject: RE: LIBOR Tim, [redacted]. If you need to reach me next week, try [redacted] and leave a message with your phone number. Presumably, [redacted] will also be around next week as well. Take care. [redacted] From: Lee, Timothy [mailto:Timothy.Lee@fhfaoig.gov] Sent: Monday, August 27, 2012 2:22 PM To: [redacted]) Subject: FW: LIBOR Hi [redacted], Back in the office today and happened to come across this bit of interesting reading. You may well know more about the background here than I do. Let me know if you'd like to discuss. I've reached out to FHFA today, and should be back in touch fairly soon to discuss getting you some info. Tim From: Lee, Timothy Sent: Monday, August 27, 2012 2:20 PM To: [redacted]; Timothy.Friedman@fhfa.gov ; fred.graham@fhfa.gov Cc: [redacted]; Parker, Richard; Stephens, Michael Subject: LIBOR Hi folks, A little research today uncovered the claim filed by Charles Schwab with respect to the LIBOR scandal. You'll note, sadly, that it's unprintable (the PDF file, not the language therein). Still, it's worth sitting at your computer to read. The assertions of fact are very interesting (put together by people with real knowledge of the markets) and suggest that establishment of a necessary pattern is farther along than I had expected. Interestingly, it suggests that the magnitude of the suppression might be in the neighborhood of 30-40 bp through 2008-2009. The Federal law violations it claims include those of the Sherman Act [redacted], the 1933 Act, the 1940 Act, 10b-5 and RICO. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Canceled: LIBOR

Item ID:	31735
Sent:	August 30, 2012 4:17 PM
Received:	August 30, 2012 4:17 PM
Type:	Calendar Entry

LIBOR

Item ID:	31736
Sent:	August 30, 2012 4:17 PM
Received:	August 30, 2012 4:17 PM
Type:	Calendar Entry

Tim's laundry list

Item ID:	31737
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Subject:	Tim's laundry list
Sent:	September 4, 2012 1:16 PM
Received:	September 4, 2012 1:16 PM

Hi Old Salt, I return from Labor Day to find quite a bit on my plate. I will try to itemize them individually for you. · Semiannual Report It’s that time of the year again. The first draft is due in our office on Monday, and I am likely to spend a healthy portion of this week zeroed in on getting that polished up. Items on the to-do list include: o Incorporating an initial draft of the tutorial, which Wes is running, into the SAR o The Message from the IG and Executive Summary, for which David is responsible, remains for the most part in an early-draft form · Derivatives White Paper After our meeting a couple of weeks ago, Wes and I sat down to discuss how to proceed. He has produced an outline with the goal of providing clear, explicit guidance on how to structure the paper from its current magazine article/research report/textbook style to MILSPEC standard. After reviewing, I plan to rearrange the paper to conform; this is readily feasible but will take some time to do. For now, I plan to take this up in earnest just after I get the SAR draft into the best possible shape for Monday. · Fee Misapplication You will be receiving a draft request to the loan servicers shortly for review. I request that you make review of this a priority, as it is essential to the progress of this project. Our goal is to release this to the servicers by week’s end. There may be a reaction on their part to this request; I am happy to discuss that further with you and/or George in person when you like. · LIBOR As you know, I have a meeting set up with the Agency folks on Thursday to discuss the DOJ request. (b) (5) [redacted] When you like, I am happy to discuss a bit more of this with you in person. (b) (5) [redacted]. · Counterparty Risk I’ve shared an initial set of notes with David Bloch on the proposed counterparty topic, which remains a matter of continuing public interest for a number of reasons, which include, appropriately enough, the prospect of bank liability for the LIBOR scandal. David has pulled in a couple of OE colleagues, and we have begun to consider how to structure the document and the due diligence process. A meeting is scheduled for 1400 tomorrow. Those are the major items before me at the moment. I have an appointment on Friday afternoon, but plan to stay a bit later a couple nights this week to even up the hours. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: Tim's laundry list

Item ID:	31738
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Subject:	RE: Tim's laundry list
Sent:	September 4, 2012 1:31 PM
Received:	September 4, 2012 1:31 PM

As I see it (and plan to run the meeting), the OIG role is as follows: · To ascertain the status of FHFA's inquiry into possible GSE losses and claims stemming from l'affaire LIBOR; · To apprise FHFA of DOJ's interest in the topic; · To facilitate appropriate coordination between the two agencies In [redacted] (b) (6) absence, Paul Conlon will accompany me. From: Parker, Richard Sent: Tuesday, September 04, 2012 1:21 PM To: Lee, Timothy Subject: RE: Tim's laundry list Skipper, what is the OIG's role in the meeting on Thursday? Rich Sent from my Windows Phone From: Lee, Timothy Sent: 9/4/2012 1:16 PM To: Parker, Richard Subject: Tim's laundry list Hi Old Salt, I return from Labor Day to find quite a bit on my plate. I will try to itemize them individually for you. · Semiannual Report It's that time of the year again. The first draft is due in our office on Monday, and I am likely to spend a healthy portion of this week zeroed in on getting that polished up. Items on the to-do list include: o Incorporating an initial draft of the tutorial, which Wes is running, into the SAR o The Message from the IG and Executive Summary, for which David is responsible, remains for the most part in an early-draft form · Derivatives White Paper After our meeting a couple of weeks ago, Wes and I sat down to discuss how to proceed. He has produced an outline with the goal of providing clear, explicit guidance on how to structure the paper from its current magazine article/research report/textbook style to MILSPEC standard. After reviewing, I plan to rearrange the paper to conform; this is readily feasible but will take some time to do. For now, I plan to take this up in earnest just after I get the SAR draft into the best possible shape for Monday. · Fee Misapplication You will be receiving a draft request to the loan servicers shortly for review. I request that you make review of this a priority, as it is essential to the progress of this project. Our goal is to release this to the servicers by week's end. There may be a reaction on their part to this request; I am happy to discuss that further with you and/or George in person when you like. · LIBOR As you know, I have a meeting set up with the Agency folks on Thursday to discuss the DOJ request. [redacted] (b) (5) . [redacted] (b) (5) . When you like, I am happy to discuss a bit more of this with you in person. [redacted] (b) (5) Counterparty Risk I've shared an initial set of notes with David Bloch on the proposed counterparty topic, which remains a matter of continuing public interest for a number of reasons, which include, appropriately enough, the prospect of bank liability for the LIBOR scandal. David has pulled in a couple of OE colleagues, and we have begun to consider how to structure the document and the due diligence process. A meeting is scheduled for 1400 tomorrow. Those are the major items before me at the moment. I have an appointment on Friday afternoon, but plan to stay a bit later a couple nights this week to even up the hours. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: Tim's laundry list

Item ID:	31739
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Subject:	RE: Tim's laundry list
Sent:	September 4, 2012 1:36 PM
Received:	September 4, 2012 1:36 PM

You know, a good forward air controller is invaluable. Let the pilots fly to the target and empty the B-1s, that is their job and heaven bless them for it. But somebody has to know the ground, spot the target, and radio up the coordinates. [redacted] (b) (5). Happy to discuss further if you like. From: Parker, Richard Sent: Tuesday, September 04, 2012 1:34 PM To: Lee, Timothy Subject: RE: Tim's laundry list [redacted] (b) (5) Sent from my Windows Phone From: Lee, Timothy Sent: 9/4/2012 1:31 PM To: Parker, Richard Subject: RE: Tim's laundry list As I see it (and plan to run the meeting), the OIG role is as follows: · To ascertain the status of FHFA's inquiry into possible GSE losses and claims stemming from l'affaire LIBOR; · To apprise FHFA of DOJ's interest in the topic; · To facilitate appropriate coordination between the two agencies In (b) (6) [redacted] absence, Paul Conlon will accompany me. From: Parker, Richard Sent: Tuesday, September 04, 2012 1:21 PM To: Lee, Timothy Subject: RE: Tim's laundry list Skipper, what is the OIG's role in the meeting on Thursday? Rich Sent from my Windows Phone From: Lee, Timothy Sent: 9/4/2012 1:16 PM To: Parker, Richard Subject: Tim's laundry list Hi Old Salt, I return from Labor Day to find quite a bit on my plate. I will try to itemize them individually for you. · Semiannual Report It's that time of the year again. The first draft is due in our office on Monday, and I am likely to spend a healthy portion of this week zeroed in on getting that polished up. Items on the to-do list include: o Incorporating an initial draft of the tutorial, which Wes is running, into the SAR o The Message from the IG and Executive Summary, for which David is responsible, remains for the most part in an early-draft form · Derivatives White Paper After our meeting a couple of weeks ago, Wes and I sat down to discuss how to proceed. He has produced an outline with the goal of providing clear, explicit guidance on how to structure the paper from its current magazine article/research report/textbook style to MILSPEC standard. After reviewing, I plan to rearrange the paper to conform; this is readily feasible but will take some time to do. For now, I plan to take this up in earnest just after I get the SAR draft into the best possible shape for Monday. · Fee Misapplication You will be receiving a draft request to the loan servicers shortly for review. I request that you make review of this a priority, as it is essential to the progress of this project. Our goal is to release this to the servicers by week's end. There may be a reaction on their part to this request; I am happy to discuss that further with you and/or George in person when you like. · LIBOR As you know, I have a meeting set up with the Agency folks on Thursday to discuss the DOJ request. [redacted] (b) (5) When you like, I am happy to discuss a bit more of this with you in person. (b) (5) [redacted] · Counterparty Risk I've shared an initial set of notes with David Bloch on the proposed counterparty topic, which remains a matter of continuing public interest for a number of reasons, which include, appropriately enough, the prospect of bank liability for the LIBOR scandal. David has pulled in a couple of OE colleagues, and we have begun to consider how to structure the document and the due diligence process. A meeting is scheduled for 1400 tomorrow. Those are the major items before me at the moment. I have an appointment on Friday afternoon, but plan to stay a bit later a couple nights this week to even up the hours. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Fwd: NYTimes.com: DealBook: In UBS Convictions, Parallels to the Libor Investigation

Item ID:	31740
From:	[redacted] (b) (6)
To:	Timothy Lee <Timothy.Lee@fhfaoig.gov>
Subject:	Fwd: NYTimes.com: DealBook: In UBS Convictions, Parallels to the Libor Investigation
Sent:	September 5, 2012 7:15 AM
Received:	September 5, 2012 7:15 AM

E-Mail This

Tim: Hope you had a good weekend. Thought you might find this article interesting. I should have finalized list of potential speakers for you by end of week. Also wanted to confirm you got my email from late Friday outlining issues for your consideration. No worries if you're still digesting I just wanted to check you received it. Cheers [redacted] (b) (6) This message, and any of the attachments included, may contain CONFIDENTIAL information about the company. Its content is intended exclusively for its addressee(s), so any dissemination, copy or disclosure of this communication is strictly prohibited by third parties. If this message has been received in error, please immediately notify the sender via e-mail and delete it with all its copies and attachments. Begin forwarded message: E-Mail This DealBook: In UBS Convictions, Parallels to the Libor Investigation

LIBOR

Item ID:	31741
Sent:	September 5, 2012 9:10 AM
Received:	September 5, 2012 9:10 AM
Type:	Calendar Entry

Accepted: LIBOR

Item ID:	31742
Sent:	September 5, 2012 9:30 AM
Received:	September 5, 2012 9:30 AM
Type:	Calendar Entry

RE: Remember to take me with you today to DER/Greenlee. Pls roger this comm

Item ID:	31743
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Subject:	RE: Remember to take me with you today to DER/Greenlee. Pls roger this comm
Sent:	September 5, 2012 9:41 AM
Received:	September 5, 2012 9:41 AM

http://www.nytimes.com/2012/09/05/business/banks-facing-suits-as-states-weigh-their-libor-losses.html?hpw I'd like to come by after I've had a chance to pull a few thoughts together. From: Parker, Richard Sent: Wednesday, September 05, 2012 9:09 AM To: Lee, Timothy Subject: Remember to take me with you today to DER/Greenlee. Pls roger this comm Richard Parker Director, Policy, Oversight & Review Office of the Inspector General Federal Housing Finance Agency 400 7 th Street, SW Washington, D.C. 20024 Tel: [redacted] (b) (6)

Reading the papers

Item ID:	31744
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted]
Subject:	Reading the papers
Sent:	September 5, 2012 11:26 AM
Received:	September 5, 2012 11:26 AM

Hi [redacted], I saw this in yesterday's papers and assume you did too. Any commentary, of course, is welcome. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Tomorrow's LIBOR meeting agenda

Item ID:	31745
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>, Conlon, Paul </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=bb38913146504c409ec131657444fceb-Paul Conlon>
Subject:	Tomorrow's LIBOR meeting agenda
Sent:	September 5, 2012 1:17 PM
Received:	September 5, 2012 1:17 PM

Hi gentlemen, Here is what I plan to cover at tomorrow's meeting. I am happy to do the heavy lifting on this topic; the desired result is simply to get accurate gouge on where FHFA/GSEs are with this and to set up contact with our DOJ friends. Any questions are welcome, of course. Tim Topics to cover at LIBOR meeting: · (b) (5) [redacted] We will set up conversation with our contacts there ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: Tomorrow's LIBOR meeting agenda

Item ID:	31746
From:	Parker, Richard [redacted] (b) (6)
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>, Conlon, Paul [redacted] (b) (6)
Subject:	RE: Tomorrow's LIBOR meeting agenda
Sent:	September 5, 2012 3:03 PM
Received:	September 5, 2012 3:03 PM

Skipper, [redacted] (b) (5) From: Lee, Timothy Sent: Wednesday, September 05, 2012 1:18 PM To: Parker, Richard; Conlon, Paul Subject: Tomorrow's LIBOR meeting agenda Hi gentlemen, Here is what I plan to cover at tomorrow’s meeting. I am happy to do the heavy lifting on this topic; the desired result is simply to get accurate gouge on where FHFA/GSEs are with this and to set up contact with our DOJ friends. Any questions are welcome, of course. Tim Topics to cover at LIBOR meeting: · [redacted] (b) (5) We will set up conversation with our contacts there ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

LIBOR

Item ID: 31747
Sent: September 5, 2012 5:17 PM
Received: September 5, 2012 5:17 PM
Type: Calendar Entry

Accepted: LIBOR

Item ID:	31748
Sent:	September 5, 2012 5:17 PM
Received:	September 5, 2012 5:17 PM
Type:	Calendar Entry

Your request was accepted. Sent by Microsoft Exchange Server 2010

Accepted: LIBOR

Item ID:	31749
Sent:	September 6, 2012 7:57 AM
Received:	September 6, 2012 7:57 AM
Type:	Calendar Entry

Accepted: LIBOR

Item ID:	31750
Sent:	September 6, 2012 11:13 AM
Received:	September 6, 2012 11:13 AM
Type:	Calendar Entry

LIBOR and the GSEs

Item ID:	31751
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	nina.nichols@fhfa.gov <nina.nichols@fhfa.gov>, Greenlee, Jon (Jon.Greenlee@fhfa.gov) <Jon.Greenlee@fhfa.gov>, stephen.cross@fhfa.gov, fred.graham@fhfa.gov, Sciacca, Christie (Christie.Sciacca@fhfa.gov) <Christie.Sciacca@fhfa.gov>
Subject:	LIBOR and the GSEs
Sent:	September 6, 2012 4:33 PM
Received:	September 6, 2012 4:33 PM

Hi Jon, Steve, Fred, Christie and Nina, Following up from our meeting, please find several files attached as additional background. · The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprises' net "receive floating" interest rate swaps positions, relative to the "fair" amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge [redacted] (b) (5). · The Baltimore LIBOR complaint is also attached; it defines "Class" on page 5, paragraph 23. [redacted] (b) (5) They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1

LIBOR proposal.xlsx

Original view

2 pages (displayed on pages 3 to 4)

Cash Flow Shortfall from LIBOR Suppression
Enterprises Interest Rate Swaps
dollars in millions

Swap Notic	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10
Fannie Mae							
Pay Fixed S	546,916	620,850	650,447	435,693	382,600	315,857	317,259
Less: Recei	451,081	549,823	571,802	340,384	275,417	229,293	234,901
Plus: Basis	24,560	19,815	22,200	11,000	3,225	3,220	3,020
Net Receiv	120,395	90,842	100,845	106,309	110,408	89,784	85,378
Freddie Mac							
Less: Rece	266,685	336,207	284,244	320,458	271,403	255,940	349,545
Plus: Pay F	404,359	342,747	401,904	414,776	382,259	382,145	386,194
Plus: Basis Swaps		82,090	51,065	51,615	52,045	54,070	53,910
Net Receiv	137,674	88,630	168,725	145,933	162,901	180,275	90,559
Enterprises							
Net Receiv	258,069	179,472	269,570	252,242	273,309	270,059	175,937
Swap Cash Flow Shortfall - Quarterly Totals							
0.10%	64.5	44.9	67.4	63.1	68.3	67.5	44.0
0.20%	129.0	89.7	134.8	126.1	136.7	135.0	88.0
0.30%	193.6	134.6	202.2	189.2	205.0	202.5	132.0
0.40%	258.1	179.5	269.6	252.2	273.3	270.1	175.9
Swap Cash Flow Shortfall - Cumulative							
0.10%	64.5	109.4	176.8	239.8	308.2	375.7	419.7
0.20%	129.0	218.8	353.6	479.7	616.3	751.4	839.3
0.30%	193.6	328.2	530.3	719.5	924.5	1,127.0	1,259.0
0.40%	258.1	437.5	707.1	959.4	1,232.7	1,502.7	1,678.7

30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	30-Jun-12
296,877	277,227	270,250	205,084	193,882	186,757	206,307	229,227
233,613	224,177	214,777	161,151	179,808	229,695	250,322	265,593
2,485	485	1,565	2,552	6,997	9,622	18,673	20,922
65,749	53,535	57,038	46,485	21,071	(33,316)	(25,342)	(15,444)
316,574	324,590	249,793	215,758	220,668	211,808	248,453	260,428
363,668	394,294	330,015	321,870	293,683	289,335	296,573	292,660
2,775	2,375	3,375	3,275	2,275	2,750	2,400	2,350
49,869	72,079	83,597	109,387	75,290	80,277	50,520	34,582
115,618	125,614	140,635	155,872	96,361	46,961	25,178	19,138
28.9	31.4	35.2	39.0	24.1	11.7	6.3	4.8
57.8	62.8	70.3	77.9	48.2	23.5	12.6	9.6
86.7	94.2	105.5	116.9	72.3	35.2	18.9	14.4
115.6	125.6	140.6	155.9	96.4	47.0	25.2	19.1
448.6	480.0	515.1	554.1	578.2	589.9	596.2	601.0
897.1	959.9	1,030.3	1,108.2	1,156.4	1,179.9	1,192.4	1,202.0
1,345.7	1,439.9	1,545.4	1,662.3	1,734.6	1,769.8	1,788.7	1,803.0
1,794.3	1,919.9	2,060.5	2,216.4	2,312.8	2,359.7	2,384.9	2,404.0

Attachment #2

[redacted].vcf

BEGIN:VCARD
VERSION:2.1
N;LANGUAGE=en-us [redacted].
FN [redacted]
ORG:US Department of Justice
[redacted]
TEL;WORK [redacted]
ADR;WORK;PREF:;;601 D St NW;Washington;DC;20004;United States of America
LABEL;WORK;PREF;ENCODING=QUOTED-PRINTABLE:601 D St NW=0D=0A=
Washington DC 20004
X-MS-OL-DEFAULT-POSTAL-ADDRESS:2
EMAIL;PREF [redacted]
X-MS-OL-DESIGN;CHARSET=utf-8:<card xmlns="http://schemas.microsoft.com/office/outlook/12/electronicbusinesscards" ver="1.0" layout="left" bgcolor="ffffff"><fld xmlns="" prop="name" align="left" dir="ltr" style="b" color="000000" size="10"/><fld xmlns="" prop="org" align="left" dir="ltr" color="000000" size="8"/><fld xmlns="" prop="title" align="left" dir="ltr" color="000000" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="telwork" align="left" dir="ltr" color="000000" size="8"><label align="right" color="626262">Work</label></fld><fld xmlns="" prop="email" align="left" dir="ltr" color="000000" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="addrwork" align="left" dir="ltr" color="000000" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="blank" size="8"/></card>
REV:20120906T194941Z
END:VCARD

Attachment #3

LIBOR_Baltimore initial complaint.pdf

Original view

28 pages (displayed on pages 8 to 35)

11 CIV 5450

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

MAYOR AND CITY COUNCIL OF BALTIMORE, on behalf of itself and all others similarly situated, Plaintiff, vs. BANK OF AMERICA CORPORATION; BARCLAYS BANK PLC; CITIBANK NA; HSBC HOLDINGS PLC; J.P. MORGAN CHASE & CO.; LLOYDS BANKING GROUP PLC; UBS AG; and WESTLB AG., Defendants.	Case No. ____________ **CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL ANTITRUST LAWS** **JURY TRIAL DEMANDED**

AUG 05 2011
U.S.D.C. S.D. N.Y.
CASHIERS

Plaintiff Mayor and City Council of Baltimore ("Baltimore" or "Plaintiff"), on behalf of itself and all others similarly situated, brings this action against defendants Bank of America Corporation, Barclays Bank plc, Citibank NA, HSBC Holdings plc, JP Morgan Chase & Co., Lloyds Banking Group plc, UBS AG, and WestLB AG (collectively, "Defendants") and alleges as follows:

NATURE OF CLAIM

1. This action arises from Defendants' conspiracy to unlawfully manipulate the London Interbank Offered Rate for the U.S. dollar ("LIBOR") from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased, in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

2. As alleged herein, during the Class Period (defined below), Defendants conspired to and did suppress and manipulate LIBOR throughout the Class Period.

3. Owned and administered by the British Bankers Association ("BBA"), LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

4. Every morning by 11:10 a.m. London time, the individual banks on the U.S. dollar LIBOR panel send data to Thompson Reuters Group ("Reuters"), a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

5. Throughout the Class Period, Defendants were members of the U.S. dollar LIBOR panel. Pursuant to their illegal conspiracy, Defendants knowingly and purposely submitted borrowing rates to Reuters that were below their true borrowing costs in order to suppress and manipulate LIBOR.

6. Defendants devised and executed their scheme to manipulate LIBOR in order to benefit their financial positions. Throughout the Class Period, Defendants sold financial products which tied rates of return to LIBOR. By manipulating LIBOR, Defendants paid lower returns to customers who bought those financial products.

7. Defendants' manipulation of LIBOR directly caused and resulted in an artificially lower LIBOR during the Class Period.

8. Defendants' conspiracy to suppress LIBOR violates Section 1 of the Sherman Act, 15 U.S.C. § 1. Plaintiff and members of the Class suffered damages by purchasing directly from Defendants during the Class Period financial products that had rates of return tied to LIBOR ("LIBOR-Based Derivatives"), as more fully alleged herein.

JURISDICTION AND VENUE

9. This action arises under Section 1 of the Sherman Act, 15 U.S.C., § 1, and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

10. This Court has jurisdiction under 28 U.S.C. §§ 1331 and 1337 and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

11. Venue is proper in this District pursuant to Sections 4, 12 and 16 of the Clayton Act, 15 U.S.C. §§ 15, 22 and 26 and 28 U.S.C. § 1391(b), (c) and (d). One or more of the Defendants resided, transacted business, were found, or had agents in the District, a substantial part of the events giving rise to Plaintiff's claims arose in the District, and a substantial portion of the affected interstate trade and commerce described herein has been carried out in this District.

PARTIES

12. During the Class Period, Plaintiff Baltimore purchased tens of millions of dollars worth of Interest Rate Swaps directly from at least one Defendant in which the rate of return was tied to LIBOR and was injured as a result of Defendants' anticompetitive conduct.

13. Defendant Bank of America Corporation ("Bank of America") is a Delaware corporation headquartered in Charlotte, North Carolina. During the Class Period, Bank of America was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

14. Defendant Barclays Bank plc ("Barclays") is a British public limited company headquartered in London, England. During the Class Period, Barclays was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

15. Defendant Citibank NA ("Citibank") is a wholly-owned subsidiary of the United States financial services corporation Citigroup, Inc., which is headquartered in New York, New York. During the Class Period, Citibank was a member of the British Bankers' Associations' U.S. dollar LIBOR panel.

16. Defendant HSBC Holdings plc ("HSBC Holdings") is a United Kingdom public company with its corporate headquarters in London, England. During the Class Period, HSBC was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

17. Defendant J.P. Morgan Chase & Co. ("JP Morgan") is a Delaware financial holding company headquartered in New York, New York. During the Class Period, JP Morgan was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

18. Defendant Lloyds Banking Group plc ("Lloyds") is a United Kingdom public limited company with its corporate headquarters in London, England. Lloyds was formed in 2009 through the acquisition of HBOS plc ("HBOS") and Lloyds TSB Bank plc ("Lloyds TSB"). During the Class Period, both HBOS and Lloyds TSB were members of the British Bankers' Association's U.S. dollar LIBOR panel.

19. Defendant UBS AG ("UBS") is a Swiss company based in Basel and Zurich, Switzerland. During the Class Period, UBS was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

20. Defendant WestLB AG ("WestLB") is a German joint stock company headquartered in Dusseldorf, Germany. During the Class Period, WestLB was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

UNNAMED CO-CONSPIRATORS

21. Various other entities and individuals not named as Defendants in this Complaint participated as co-conspirators in the acts complained of, and performed acts and made statements which aided and abetted and was in furtherance of the unlawful conduct alleged herein.

THE RELEVANT MARKET

22. The relevant market is LIBOR-Based Derivatives sold directly by Defendants.

CLASS ACTION ALLEGATIONS

23. Plaintiff brings this action as a class action under Rules 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure, on behalf of itself and all others similarly situated. The "Class" is defined as:

> All persons or entities other than Defendants and their employees, affiliates, parents, subsidiaries or co-conspirators (whether or not named in this Complaint) who purchased LIBOR-Based Derivatives directly from Defendants, including their subsidiaries and/or affiliates, from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased.

24. The Class is so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time, Plaintiff is informed and

believes that at least thousands of geographically dispersed Class members purchased LIBOR-Based Derivatives directly from Defendants during the Class Period.

25. Plaintiff's claims are typical of the claims of the other members of the Class. Plaintiff and the members of the Class sustained damages arising out of Defendants' common course of conduct in violation of law as complained herein. The injuries and damages of each member of the Class were directly caused by Defendants' wrongful conduct in violation of the antitrust laws as alleged herein.

26. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class action litigation, including antitrust class action litigation.

27. Common questions of law and fact exist as to all members of the Class which predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether Defendants conspired with others to artificially suppress LIBOR in violation of the Sherman Act;

(b) Whether Defendants' conduct had an anticompetitive and manipulative effect on LIBOR during the Class Period;

(c) Whether Defendants' conduct negatively affected the rates of return of LIBOR-Based Derivatives purchased directly from the Defendants during the Class Period; and

(d) The appropriate measure of damages for the injury sustained by Plaintiff and other members of the Class as a result of Defendants' unlawful activities.

28. A class action is superior to other available methods for the fair and efficient adjudication of this controversy because joinder of all Class members is impracticable. The

prosecution of separate actions by individual members of the Class would impose heavy burdens upon the courts and Defendants, and would create a risk of inconsistent or varying adjudications of the questions of law and fact common to the Class. A class action, on the other hand, would achieve substantial economies of time, effort and expense, and would assure uniformity of decision as to persons similarly situated without sacrificing procedural fairness or bringing about other undesirable results.

29. The interest of members of the Class in individually controlling the prosecution of separate actions is theoretical rather than practical. The Class has a high degree of cohesion, and prosecution of the action through representatives would be unobjectionable. The amounts at stake for Class members, while substantial in the aggregate, are not great enough individually to enable them to maintain separate suits against Defendants. Plaintiff does not anticipate any difficulty in the management of this action as a class action.

FACTUAL ALLEGATIONS

I. Background

A. Overview of LIBOR

30. Administered and owned by the BBA, LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

31. Every morning by 11:10 a.m. London time, the individual banks on the U.S. Dollar LIBOR panel send data to Reuters, a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates

public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. Dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

B. LIBOR-Based Derivatives

32. LIBOR is the primary benchmark for short-term interest rates globally.

33. According to the BBA, "the objectivity and accuracy of the [LIBOR] rates allowed derivatives to be created based on the data as a reference, and this has flourished to become an enormously successful cornerstone of business transacted in London and worldwide."

34. The perceived integrity of LIBOR allows many derivative products to be priced based on LIBOR. About $350 trillion worth of financial products globally reference LIBOR. To the extent that LIBOR is mispriced, these derivatives are also mispriced.

II. Defendants Unlawfully Conspired to Suppress and Manipulate LIBOR

35. In August, 2007, LIBOR began behaving erratically. Overnight, LIBOR began a period in which it dramatically decoupled from other financial indicators that had historically functioned as benchmarks. Reports initially assumed that low liquidity and increased credit risk endemic to the financial crisis were the likely contributing factors to the aberrant behavior of LIBOR. Subsequent examination reflects that Defendants were conspiring to artificially manipulate LIBOR to the benefit of their LIBOR-Based Derivatives positions.

36. As set forth below, Defendants' conspiracy to manipulate LIBOR throughout the Class Period is evidenced by several forms of analysis. During the Class Period, LIBOR shattered its historical relationships with various economic benchmarks, signifying that it was no longer representative of external market forces and was a result of manipulation by the

Defendants. Additionally, LIBOR has been shown to respond to external criticism, demonstrating that it was intentionally manipulated by Defendants, as opposed to reflecting an objective report of market conditions.

37. An examination of Defendants' LIBOR quotes reveals inconsistencies among Defendants' reporting across currencies and on a day-to-day basis, which supports the fact that Defendants purposefully and collectively agreed to underreport their actual borrowing costs in order to artificially and unlawfully suppress LIBOR. In so doing, they reaped massive profits from their enormous LIBOR-Based Derivatives positions, which directly benefited from their artificial suppression of LIBOR.

A. The Defendants' Unlawful Manipulation Of LIBOR

38. On December 12, 2007, the day after the Federal Reserve cut short-term interest rates for the third time that year in an effort to help ease the credit crunch and reduce the chances of an impending recession, The Wall Street Journal ("Journal") published an article predicting that continued worry over the credit crisis would effectively keep LIBOR rates high, even as other short-term interest rates would continue to fall. In fact, the Journal quoted one mortgage banker as stating that historically, in times of credit crisis, LIBOR rates have tended to spike.

39. Despite the Journal's prediction, in the early months of 2008, during the most significant financial crisis since the great depression, U.S. dollar-denominated LIBOR rates submitted by panel banks did not vary markedly, nor did they increase or decrease sharply. This fact did not correspond to traditional market behavior because in times of severe uncertainty, banks would normally be reluctant to lend to one another on an unsecured basis without receiving a higher risk premium.

40. In a market not artificially manipulated, LIBOR rates should have increased significantly during this period. In addition, because different panel banks were experiencing

different levels of economic stress, the panel banks should have been reporting markedly different borrowing rates. None of this was reflected in LIBOR rates reported by Defendants.

41. On April 16, 2008, the Journal published an article detailing the findings of a three month study it conducted into the borrowing rates of the 16 banks forming the U.S. dollar LIBOR panel. The Journal concluded that a number of banks – specifically Citibank, WestLB, HBOS, JP Morgan and UBS – had been reporting significantly lower borrowing costs than what other market measures suggest they should have been reporting. The Journal attributed this disparity to certain panel banks intentionally understating their borrowing rates.

42. The Journal's examination of the borrowing costs submitted by the panel banks during the first four months of 2008 indicated that the panel banks reported remarkably similar borrowing rates despite the fact that the banks were facing different financial stresses. For the first four months of 2008, for example, the three-month borrowing rates reported by the panel banks remained, on average, within a range of only .06 of a percentage point.

43. According to Professor Darrell Duffie, a Stanford University finance professor, the reported rates during the first four months of 2008 "[were] far too similar to be believed."

44. David Juran, a statistics professor at Columbia University who reviewed the Journal's methodology, concluded that the Journal's calculations demonstrate "very convincingly" that reported LIBOR rates are lower than what the market thinks they should be by a factor which well surpassed the threshold statisticians use to assess the significance of a result.

45. Following the Journal's April 16, 2008 report that the panel banks may be intentionally understating their borrowing rates, the BBA announced it would review LIBOR reporting process and remove any bank found to be reporting inaccurate rates from the panel.

46. In November 2007 and again in April 2008, the money market committee of the Bank of England raised questions about the integrity of LIBOR. The minutes of the committee's November 2007 meeting stated that, "several group members thought that Libor fixings had been lower than actual traded interbank rates." Minutes from the April, 2008 committee meeting noted that "U.S. dollar Libor rates had at times appeared lower than actual traded interbank rates." Similarly, Citigroup interest-rate strategist Scott Peng raised similar questions, writing that "Libor at times no longer represents the level at which banks extend loans to others."

47. On April 17, 2008, just days after the Journal published its analysis, there was a sudden jump in the U.S. dollar-denominated LIBOR. The benchmark dollar rate for three-month borrowing hit 2.1875% Thursday, or about .08 percentage points more than the 2.735% rate set on Wednesday.

48. Suspiciously, reported LIBOR rates for other currencies fell or remained relatively flat at the time the U.S. dollar LIBOR surged, a sign that the U.S. dollar LIBOR rate was susceptible to manipulation.

49. Notably, the significant move in the U.S. dollar-denominated LIBOR closely followed the BBA's announcement that it was accelerating its inquiry into the daily borrowing rates that banks provide to establish LIBOR rate.

50. The BBA's decision to speed up its inquiry was made in response to concerns expressed by bankers and the financial media that certain panel banks were not accurately reporting the rates they were paying for short-term loans.

51. In a note to clients the day after LIBOR surged, UBS strategist William O'Donnell suggested that the panel banks were responding to the heightened scrutiny, noting that

the BBA's announcement of its inquiry was an attempt "to bring publicly posted rates back into line with the shadow interbank money rate market."

52. At the time, William Porter, credit strategist at Credit Suisse, said he believed the three-month U.S. dollar LIBOR was .4 percentage points below where it should be. That echoed the view of Scott Peng, who concluded that LIBOR understated panel banks' true borrowing costs by as much as .3 percentage points.

B. Empirical Evidence Confirms Defendants' Manipulative and Conspiratorial Conduct

53. One of the unique characteristics of LIBOR's calculation is its opaqueness. The method for LIBOR calculation is only transparent to the extent that each panel bank reports to Reuters its borrowing rate and Reuters publicizes the rates and computes LIBOR. The internal calculations and methodology of the panel banks in determining their borrowing rates are unobservable to the public. This renders LIBOR susceptible to manipulation by Defendants. Since LIBOR is the basis for a large number of daily financial transactions, comparisons to observable market rates have historically been monitored.

54. In reaction to the media reports of LIBOR manipulation, various empirical studies have demonstrated that the aberrant behavior of LIBOR during the Class Period is suggestive of collective agreement amongst Defendants to manipulate and suppress LIBOR. During the Class Period, LIBOR deviated dramatically from its historic relationships with other economic indicators. This sudden and dramatic variation is consistent with the fact that LIBOR was in fact being manipulated by Defendants, as opposed to accurately reporting market characteristics.

1. LIBOR Diverges From Its Historical Relationship With The Eurodollar

55. The U.S. dollar LIBOR, in effect, measures the interest rate offered to panel banks to borrow U.S. dollar deposits, also known as Eurodollars. Eurodollars are also traded in

the market, and the market rate for Eurodollars is commonly seen as the best market proxy for LIBOR. An analysis conducted by Connan Snider, a Professor at UCLA and Thomas Youle, emphasized that, prior to August 2007, the previous day's Eurodollar bid rate was a better predictor of LIBOR than the previous days LIBOR.

56. Historically, the difference between LIBOR and Eurodollar rate, known as LIBOR/Eurodollar spread (effectively LIBOR minus the Eurodollar bid rate), average 2.75 basis points.[1] The spread was almost always positive, meaning the Eurodollar rate was slightly lower, reflecting the measurement of LIBOR as an offer rate and the Eurodollar rate as a bid rate on U.S. dollar deposits. After August 2007, Defendants' manipulation and suppression of LIBOR resulted in a decoupling of LIBOR and the Eurodollar rate, and a reversal of the relationship so that the spread was negative. In the post manipulation period, the average spread was -24.70 basis points.

57. Even more indicative of Defendants' manipulation was that after August 2007, LIBOR/Eurodollar spread became strongly negative as opposed to the historical mildly positive relationship, as illustrated by the chart below. This change in the historical relationship is evidence of the downward manipulation of LIBOR. In some cases, LIBOR was 15 to 20 basis points lower than the Eurodollar market rate. In effect, LIBOR reported that banks were offering Eurodollars at a rate lower than market participants were actually buying them, a result that strongly indicates Defendants' manipulation of LIBOR.

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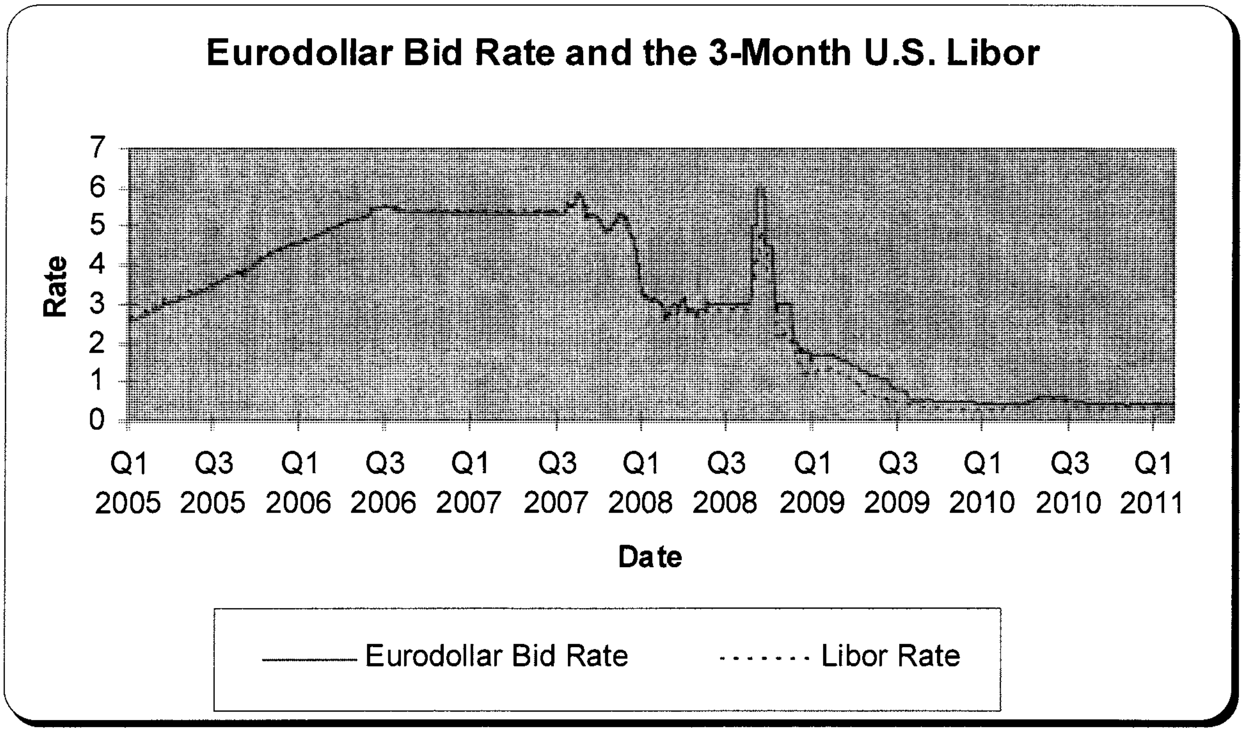
[1] A "basis point" is a term commonly used to measure a financial instrument, interest rates. A basis point is equal to 1/100th of 1%. It is a commonly used term of measurement for financial instruments because daily rate changes are typically smaller than 1 percent, though small changes have huge financial effects.



58. When Snider and Youle performed the identical analysis for the period after August 2007, they found that the previous day's Eurodollar rate had less predictive power on LIBOR. In fact, as LIBOR dropped below the Eurodollar rate, the previous day's LIBOR became a better predictor of the current LIBOR. This demonstrates that LIBOR was no longer responding to market forces, but instead was the product of Defendants' manipulation.

2. LIBOR Diverges From Its Historical Relationship With Credit Default Swaps

59. A credit default swap ("CDS") is a swap contract and agreement in which the protection buyer of the CDS makes a series of payments (often referred to as the CDS "fee" or "spread") to the protection seller and, in exchange, receives a payment if the underlying credit instrument (typically a bond or loan) experiences a credit event. The spread serves as a measure of the perceived risk of default by the entity issuing the underlying bond or receiving the loan. The greater the risk of default on the underlying bond or loan, the greater the spread. In the case

of a CDS whose underlying instrument is an interbank loan in which a panel bank is the borrower, the greater the perceived risk that the panel bank will default on the loan, the higher its CDS spread.

60. CDSs are a useful benchmark for LIBOR because both CDSs and LIBOR are a measure of perceived credit risks. On May 29, 2008, Carrick Mollenkamp and Mark Whitehouse ("Mollenkamp and Whitehouse") published an article in the Journal, emphasizing significant disparities between certain panel banks' perceived risk in the CDS market and their LIBOR reporting. A higher CDS spread is indicative of a larger perceived risk in lending to an institution because it represents the cost of insuring against a default on that loan.

61. In their analysis, which followed Mollenkamp and Whitehouse, Snider and Youle performed two separate comparisons between LIBOR and CDSs to highlight inconsistencies in LIBOR reporting. First, they noted that a specific reporting bank may have a comparatively higher CDS spread than a second reporting bank (and therefore be perceived as comparatively "riskier"), while simultaneously having a lower LIBOR than the same bank (which would indicate that it is perceived as a "less risky" investment). For example, Citigroup consistently has a substantially higher CDS spread than the Bank of Tokyo – Mitsubishi, yet Citigroup reported comparatively lower LIBOR quotes. Mollenkamp and Whitehouse also noted the same pattern.

C. Inconsistencies With LIBOR Reporting By Individual Banks

62. A close examination of the borrowing rates reported by Defendants to Reuters for calculation of LIBOR during the Class period and each bank's incentive to manipulate LIBOR further evidences Defendants' conspiracy to manipulate and suppress LIBOR. For example, Alexandre Harthieser of ESCP Europe and Natixis Bank and Phillippe K. Spieser, Professor of

Finance at ESCP Europe, performed clustering analysis on the panel members' individual reporting and concluded that "a suspect cartel has been identified."

1. Panel Banks Report Inconsistent Rates Across Currencies

63. Panel Banks report LIBOR across different currencies each day. Since LIBOR is a measure of a bank's stability as an institution, absent manipulation, the comparative ranking of panel banks should largely be the same across different currencies (allowing for the variation in panel composition across currencies). A comparison of LIBOR across different currencies shows this is not consistently so.

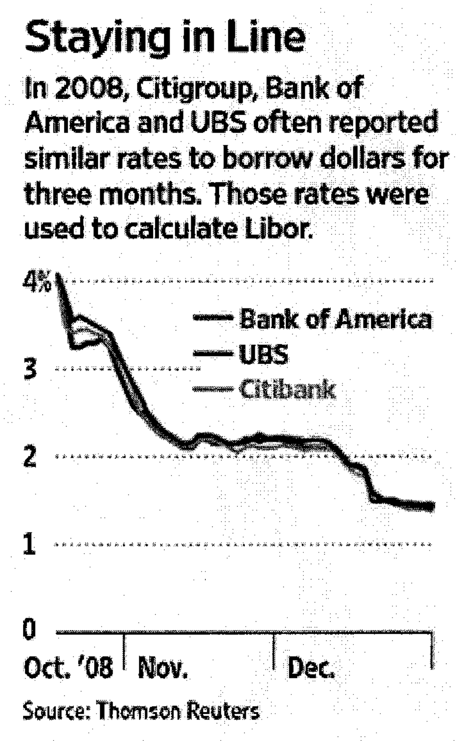
64. For example, Bank of America and Bank of Tokyo-Mitsubishi both report rates to Reuters for calculation of the U.S. dollar and Yen LIBOR. Over the manipulation period, it was common for Bank of America to simultaneously quote a lower rate than Bank of Tokyo-Mitsubishi in U.S. dollar LIBOR and a higher quote in the Yen LIBOR. Since institutional risk should be the same for each panel bank regardless of the what currency it is measured in, this indicates that the rates being reported do not accurately reflect market conditions and are an indication of manipulation.

2. Bunching

65. Throughout the Class Period, the rates reported by certain Defendants "bunch" around the fourth lowest quote each day. That is to say that the rates reported by those Defendants to Reuters were consistently near the fourth lowest of the 16 panel banks. Since Reuters, at the time, calculated LIBOR by removing the lowest (and highest) four reported rates everyday, bunching around the fourth lowest rate is suggestive that those Defendants collectively acted and colluded to suppress and manipulate LIBOR.

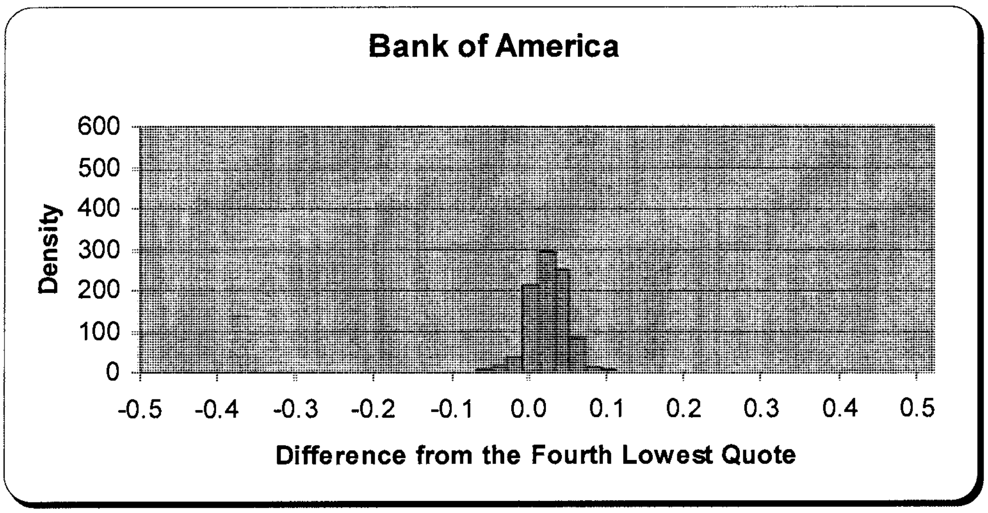
66. As an initial matter, bunching among Defendants' reported rates demonstrates that Defendants intended to report the same or similar rates. The individual variation between

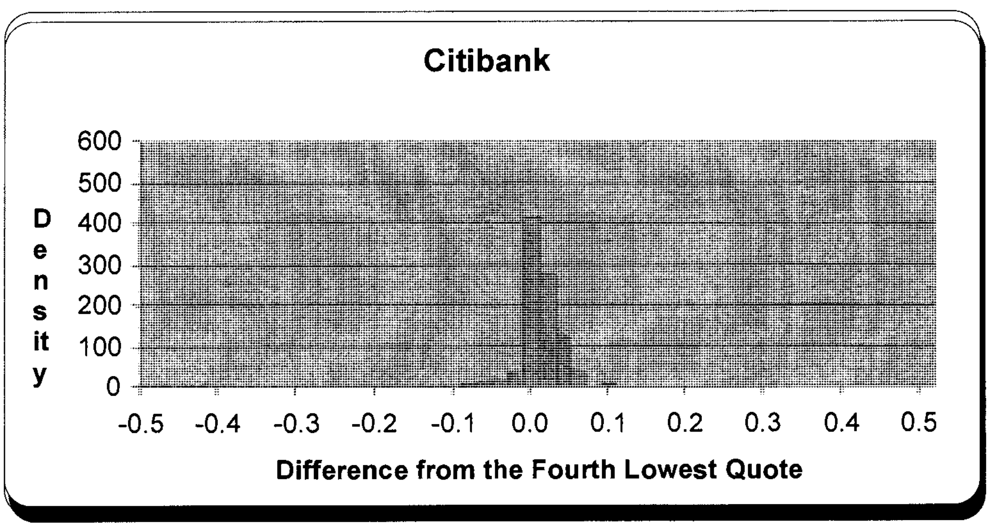
the financial situation of each reporting bank should lead to differences in the reported rates. The fact that, throughout the Class Period, Defendants repeatedly reported identical rates to Reuters is an indication that the Defendants were conspiring to manipulate LIBOR. The chart below, for example, indicates that, in late 2008, Bank of America, UBS and Citibank reported nearly identical rates to borrow dollars for three months.



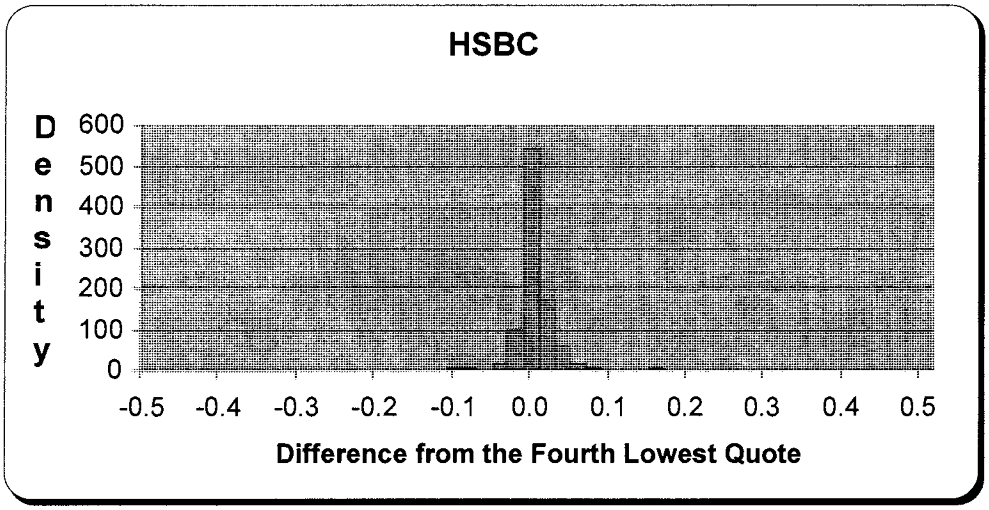
67. Further, certain Defendants' consistent bunching of their reported rates at or near the fourth lowest position is suggestive of their intent to artificially suppress LIBOR. This is because the fifth lowest quote is the lowest quote that is included by Reuters in calculating the day's LIBOR. Defendants' clustering at or near the fourth lowest rate ensures that the artificially low rates reported by Defendants will be included in the BBA's daily calculation resulting in the artificial suppression of LIBOR.

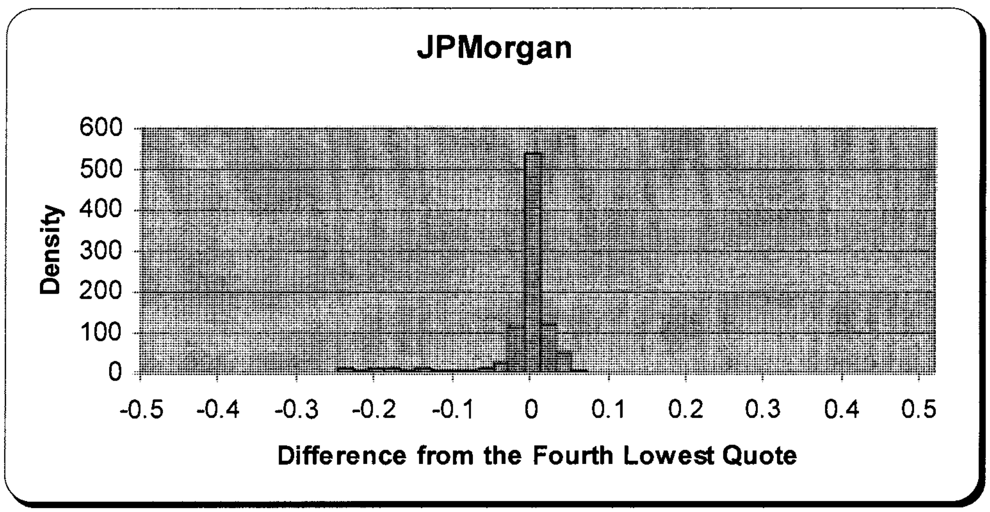
68. The following charts of daily U.S. dollar LIBOR reported rates show the frequency with which Defendants Bank of America, Citibank, HSBC, and JP Morgan reported within a given percentage rate from the 4th lowest quote. A negative difference means that they were below the 4th lowest quote, and therefore not included in the daily LIBOR calculation. Zero difference means that they either were the 4th lowest quote on a given day or tied at the same value as the 4th lowest quote.[2]





[2] If there is a tie between LIBOR quotes on a given day, one of the banks' quotes is discarded at random.





69. While bunching is reflective of Defendants' intention to report the lowest borrowing rate to be calculated by Reuters, *i.e.*, the fifth lowest borrowing rate, this does not suggest that the panel banks reporting the four lowest quotes (quotes that are discarded by Reuters) are not members of the conspiracy. Due to the mechanics of LIBOR calculation, there will always be discounted outliers. If all of the panel banks reported the same low rate, the lowest four would always be discounted. Therefore by bunching quoted rates around the 4th lowest rate, the panel banks ensured the maximum downward manipulation.

3. Defendants Had Significant Incentives to Manipulate LIBOR

70. Defendants held significant financial positions in LIBOR-Based Derivatives, such as in exchange-traded futures contracts and in over-the-counter Interest Rate Swaps, providing them incentive to suppress LIBOR. Defendants' positions in Interest Rate Swaps, for example, were so large throughout the Class Period, that even a small unhedged exposure to LIBOR-Based Derivatives would create enormous financial incentives for Defendants to manipulate LIBOR. Furthermore, when LIBOR experienced a significant drop in Q1 2009, Defendants reaped billions of dollars in profits. It was no accident that Defendants experienced sharply increased profits in their Interest Rate Swap positions at the time LIBOR fell – Defendants purposely took positions in Interest Rate Swaps, which benefited from their suppression of LIBOR. Upon information and belief, throughout the Class Period, Defendants' manipulation and suppression of LIBOR benefited their other LIBOR-Based derivative positions as well.

71. As a result of these incentives Defendants' trading positions came to dominate their reporting obligations to the BBA. A Financial Times article reports, for example, that Barclays is currently under investigation by the regulatory authorities of the United States and the United Kingdom for violating "Chinese Wall" rules which restrict information sharing between different parts of the bank. Barclays' treasury department submits its daily borrowing costs to the BBA and is walled-off from its traders. Barclays is being investigated regarding communications between its traders and its treasury department which improperly influenced the daily submission process.

III. Governmental Investigations

72. Defendants' conspiracy to manipulate and make artificial LIBOR-Based Derivatives during the Class Period has spurred investigations by numerous government regulatory agencies into the reporting practices of various banks on the U.S. dollar panel.

73. The regulatory investigations were first publicly disclosed on March 15, 2011, when UBS disclosed in its annual report that it had received subpoenas from the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the United States Department of Justice, as well as an information request from the Japanese Financial Supervisory Agency, relating to its reporting of lending rates to Reuters for calculation of LIBOR. UBS's disclosure states that the focus of the investigations is "whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate LIBOR at certain times." Other Defendants have subsequently disclosed that they are subject to investigation by regulatory authorities related to LIBOR. On August 1, 2011, for example, HSBC released its 2011 Interim Results and Barclays released its Half-Yearly Report in the United Kingdom, each disclosing that they were under investigation by various regulatory authorities around the World. Barclays specifically identified investigations by the United Kingdom Financial Services Authority, the Commodity Futures Trading Commission, the Securities and Exchange Commission, the Department of Justice Fraud Section of the Criminal Division and Antitrust Division' and the European Commission. The Journal has reported that the investigators are looking into whether the banks effectively formed a global cartel and coordinated how to report borrowing costs between 2006 and 2008.

74. A Financial Times article published the same day as UBS's disclosure reported that the three U.S. agencies the Japanese Financial Supervisory Agency and the United Kingdom's Financial Services Authority had also requested information, and had begun interviewing witnesses, connected to Defendants for several months.

75. On July 26, 2011, the Financial Times reported that investigators had expanded their probe to include yen-based LIBOR and the Tokyo interbank offered rate ("TIBOR"). In its

results announcement made that day, UBS confirmed that the investigation's scope had widened and disclosed that it had received "conditional leniency and conditional immunity" from the United States Department of Justice for turning over information on the setting of yen-based LIBOR and of the Tokyo interbank offered rate ("TIBOR"). UBS said that while its immunity stretched to the yen-based LIBOR and the TIBOR the deal did not bar the Department of Justice or other "government agencies from asserting other claims against us". The Antitrust Division's leniency policies were established for corporations and individuals "reporting their illegal antitrust activity" and the policies protect leniency recipients from criminal conviction. Notably, each of the Defendants from 2006 to 2009 were members of the yen-based LIBOR panel.

76. Latham & Watkins LLP has observed that the coordinated antitrust investigations in the United States, EU, UK, and Japan indicate that the enforcers are cooperating with each other and that the antitrust investigations may have been triggered by one of the banks taking advantage of the Antitrust Division's Corporate Leniency Policy, as well as other leniency policies around the globe.

FRAUDULENT CONCEALMENT

77. By its very nature, the unlawful activity, as alleged herein, that Defendants engaged in was self-concealing. Defendants, *inter alia*, conspired and engaged in secret and surreptitious activities in order to manipulate LIBOR.

78. Defendants fraudulently concealed their participation in their conspiracy to manipulate LIBOR by, among other things, engaging in secret meetings and communications in furtherance of the conspiracies. Because of such fraudulent concealment, and the fact that a conspiracy in restraint of trade is inherently self-concealing, Plaintiff and the members of the

Class could not have discovered the existence of Defendants' conspiracy and manipulation any earlier than public disclosures thereof.

79. Defendants agreed among themselves not to discuss publicly or otherwise reveal the nature and substance of the acts and communications in furtherance of their illegal conspiracy and manipulation.

80. Defendants' actions in fraudulently concealing their illegal conspiracy caused the BBA, the organization that owns and administers LIBOR, to issue a number of statements defending the integrity of LIBOR.

81. For instance, in a statement issued in May 2008, in response to published reports suggesting that Defendants had artificially suppressed LIBOR as evidenced by the decoupling of LIBOR from the CDS market, a BBA spokeswoman announced that there was "no indication" that the default-insurance market provides a more accurate picture of banks' borrowing costs than LIBOR.

82. In June 2009, John Ewan, director of the BBA, represented that LIBOR was "not a false signal to the markets." Even as recently as March 2011, in response to UBS's disclosure that it was the subject of government investigations in connection with Defendants' suppression of LIBOR, the BBA issued a statement characterizing LIBOR as an "accurate and reliable benchmark[]."

83. Plaintiff and members of the Class were lulled into believing that the returns on their LIBOR-Based Derivatives were the result of market conditions, rather than the product of Defendants' manipulation and collusive activities.

84. Because of Defendants' active steps, including fraudulent concealment of their conspiracy to prevent Plaintiffs and members of the Classes from suing them for the

anticompetitive activities alleged in this Complaint, Defendants are equitably estopped from asserting that any otherwise applicable limitations period has run.

DEFENDANTS' ANTITRUST VIOLATIONS

85. Beginning at least as early as August 1, 2007, and continuing until at least the date of the filing of the Complaint, the exact dates being unknown to Plaintiff, Defendants and their co-conspirators engaged in a continuing agreement, understanding, or conspiracy in restraint of trade to artificially fix, maintain, suppress and stabilize LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them.

86. In formulating and effectuating the contract, combination, or conspiracy, Defendants and their co-conspirators engaged in anticompetitive activities, the purpose and effect of which were to fix, maintain, suppress and otherwise make artificial the price of LIBOR-Based Derivatives. These activities included the following:

(a) Defendants participated in meetings and/or conversations to unlawfully discuss their reporting of their borrowing rates to Reuters for calculation of the daily LIBOR;

(b) Defendants agreed during those meetings and conversations to unlawfully report their borrowing rates to Reuters for calculation of LIBOR in order to drive down LIBOR and otherwise to depress or make artificial LIBOR;

(c) Defendants signaled to one another their intention to depress or otherwise make artificial LIBOR and colluded with one another in achieving this unlawful and anticompetitive purpose; and

(d) Pursuant to such an unlawful conspiracy in restraint of trade, Defendants knowingly and collusively traded in order to depress or otherwise make artificial the price of LIBOR-Based Derivatives.

ALLEGATIONS OF ANTITRUST INJURY TO PLAINTIFF AND THE CLASS

87. Defendants' anticompetitive conduct had severe adverse consequences on competition in that Plaintiff and other members of the Class who traded in LIBOR-Based Derivatives during the Class Period were trading at artificially determined prices that were made artificial as a result of Defendants' unlawful conduct. As a consequence thereof, Plaintiff and the Class suffered financial losses and were, therefore, injured in their business or property.

COUNT ONE

VIOLATIONS OF SECTION 1 OF THE SHERMAN ACT

88. Plaintiff incorporates by reference the preceding allegations.

89. Defendants and their unnamed co-conspirators entered into and engaged in a conspiracy in unreasonable restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act.

90. During the Class Period, Defendants controlled what LIBOR rate would be reported and therefore controlled the rates of return on LIBOR-Based Derivatives sold by them.

91. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained, suppressed and stabilized LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them. Defendants' conspiracy is a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade and commerce.

92. Defendants' conspiracy, and resulting impact on the market for LIBOR-Based Derivatives, occurred in or affected interstate and foreign commerce.

93. As a proximate result of Defendants' unlawful conduct, Plaintiff and members of the Class have suffered injury to their business or property.

94. Plaintiff and members of the Class are each entitled to treble damages for the violations of the Sherman Act alleged herein.

COUNT TWO

UNJUST ENRICHMENT AND RESTITUTION

95. Plaintiff incorporates by reference the preceding allegations.

96. It would be inequitable for Defendants to be permitted to retain the benefit which Defendants obtained from their manipulative acts and at the expense of Plaintiff and members of the Class.

97. Plaintiff and members of the Class are entitled to the establishment of a constructive trust impressed on the benefits to Defendants from their unjust enrichment and inequitable conduct.

98. Alternatively or additionally each Defendant should pay restitution or its own unjust enrichment to Plaintiff and members of the Class.

RELIEF SOUGHT

Accordingly, Plaintiff demands relief as follows:

A. That the Court determine that this action may be maintained as a class action under Rule 23(b)(3) of the Federal Rules of Civil Procedure, that Plaintiff be appointed as class representative, and that Plaintiff's counsel be appointed as counsel for the Class;

B. That the unlawful conduct alleged herein be adjudged and decreed to be an unlawful restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act;

C. That Defendants, their subsidiaries, affiliates, successors, transferees, assignees and the respective officers, directors, partners, agents, and employees and all other persons acting or claiming to act on their behalf, be permanently enjoined and restrained from continuing and maintaining the conspiracy alleged in the Complaint;

D. That Plaintiff and the Class recover damages, as provided under federal antitrust laws, and that a joint and several judgment in favor of Plaintiff and the Class be entered against Defendants in an amount to be trebled in accordance with such laws;

E. That Plaintiff and the Class recover their costs of the suit, including attorneys' fees, as provided by law; and

F. That the Court direct such further relief it may deem just and proper.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38(a) of the Federal Rules of Civil Procedure, Plaintiff demands a jury trial as to all issues triable by a jury.

Dated: August 3, 2011

Respectfully submitted,

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Facsimile: (202) 540-7201

Counsel for Plaintiff and the Proposed Class

FW: LIBOR and the GSEs

Item ID:	31754
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Subject:	FW: LIBOR and the GSEs
Sent:	September 6, 2012 4:38 PM
Received:	September 6, 2012 4:38 PM

Hi Old Salt, FYI. This basically recaps today’s conversation. [redacted] (b) (5) As the note says, I expect to line up a call and make introductions early next week to move matters along. Tim From: Lee, Timothy Sent: Thursday, September 06, 2012 4:34 PM To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov); stephen.cross@fhfa.gov; fred.graham@fhfa.gov; Sciacca, Christie (Christie.Sciacca@fhfa.gov) Subject: LIBOR and the GSEs Hi Jon, Steve, Fred, Christie and Nina, Following up from our meeting, please find several files attached as additional background. · The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprises’ net “receive floating” interest rate swaps positions, relative to the “fair” amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge [redacted] (b) (5) · The Baltimore LIBOR complaint is also attached; it defines “Class” on page 5, paragraph 23. [redacted] (b) (5) They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1

LIBOR proposal.xlsx

Original view

2 pages (displayed on pages 3 to 4)

Cash Flow Shortfall from LIBOR Suppression
Enterprises Interest Rate Swaps
dollars in millions

Swap Notic	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10
Fannie Mae							
Pay Fixed S	546,916	620,850	650,447	435,693	382,600	315,857	317,259
Less: Recei	451,081	549,823	571,802	340,384	275,417	229,293	234,901
Plus: Basis	24,560	19,815	22,200	11,000	3,225	3,220	3,020
Net Receiv	120,395	90,842	100,845	106,309	110,408	89,784	85,378
Freddie Mac							
Less: Rece	266,685	336,207	284,244	320,458	271,403	255,940	349,545
Plus: Pay F	404,359	342,747	401,904	414,776	382,259	382,145	386,194
Plus: Basis Swaps		82,090	51,065	51,615	52,045	54,070	53,910
Net Receiv	137,674	88,630	168,725	145,933	162,901	180,275	90,559
Enterprises							
Net Receiv	258,069	179,472	269,570	252,242	273,309	270,059	175,937
Swap Cash Flow Shortfall - Quarterly Totals							
0.10%	64.5	44.9	67.4	63.1	68.3	67.5	44.0
0.20%	129.0	89.7	134.8	126.1	136.7	135.0	88.0
0.30%	193.6	134.6	202.2	189.2	205.0	202.5	132.0
0.40%	258.1	179.5	269.6	252.2	273.3	270.1	175.9
Swap Cash Flow Shortfall - Cumulative							
0.10%	64.5	109.4	176.8	239.8	308.2	375.7	419.7
0.20%	129.0	218.8	353.6	479.7	616.3	751.4	839.3
0.30%	193.6	328.2	530.3	719.5	924.5	1,127.0	1,259.0
0.40%	258.1	437.5	707.1	959.4	1,232.7	1,502.7	1,678.7

30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	30-Jun-12
296,877	277,227	270,250	205,084	193,882	186,757	206,307	229,227
233,613	224,177	214,777	161,151	179,808	229,695	250,322	265,593
2,485	485	1,565	2,552	6,997	9,622	18,673	20,922
65,749	53,535	57,038	46,485	21,071	(33,316)	(25,342)	(15,444)
316,574	324,590	249,793	215,758	220,668	211,808	248,453	260,428
363,668	394,294	330,015	321,870	293,683	289,335	296,573	292,660
2,775	2,375	3,375	3,275	2,275	2,750	2,400	2,350
49,869	72,079	83,597	109,387	75,290	80,277	50,520	34,582
115,618	125,614	140,635	155,872	96,361	46,961	25,178	19,138
28.9	31.4	35.2	39.0	24.1	11.7	6.3	4.8
57.8	62.8	70.3	77.9	48.2	23.5	12.6	9.6
86.7	94.2	105.5	116.9	72.3	35.2	18.9	14.4
115.6	125.6	140.6	155.9	96.4	47.0	25.2	19.1
448.6	480.0	515.1	554.1	578.2	589.9	596.2	601.0
897.1	959.9	1,030.3	1,108.2	1,156.4	1,179.9	1,192.4	1,202.0
1,345.7	1,439.9	1,545.4	1,662.3	1,734.6	1,769.8	1,788.7	1,803.0
1,794.3	1,919.9	2,060.5	2,216.4	2,312.8	2,359.7	2,384.9	2,404.0

Attachment #2

[redacted] **vcf**

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FN [redacted]
ORG:US Department of Justice
TITLE:[redacted]
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Washington DC 20004
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REV:20120906T194941Z
END:VCARD

Attachment #3

LIBOR_Baltimore initial complaint.pdf

Original view

28 pages (displayed on pages 8 to 35)

11 CIV 5450

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

MAYOR AND CITY COUNCIL OF BALTIMORE, on behalf of itself and all others similarly situated,

Plaintiff,

vs.

BANK OF AMERICA CORPORATION; BARCLAYS BANK PLC; CITIBANK NA; HSBC HOLDINGS PLC; J.P. MORGAN CHASE & CO.; LLOYDS BANKING GROUP PLC; UBS AG; and WESTLB AG.,

Defendants.

Case No. ______________

CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL ANTITRUST LAWS

JURY TRIAL DEMANDED

Plaintiff Mayor and City Council of Baltimore ("Baltimore" or "Plaintiff"), on behalf of itself and all others similarly situated, brings this action against defendants Bank of America Corporation, Barclays Bank plc, Citibank NA, HSBC Holdings plc, JP Morgan Chase & Co., Lloyds Banking Group plc, UBS AG, and WestLB AG (collectively, "Defendants") and alleges as follows:

NATURE OF CLAIM

1. This action arises from Defendants' conspiracy to unlawfully manipulate the London Interbank Offered Rate for the U.S. dollar ("LIBOR") from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased, in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

2. As alleged herein, during the Class Period (defined below), Defendants conspired to and did suppress and manipulate LIBOR throughout the Class Period.

3. Owned and administered by the British Bankers Association ("BBA"), LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

4. Every morning by 11:10 a.m. London time, the individual banks on the U.S. dollar LIBOR panel send data to Thompson Reuters Group ("Reuters"), a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

5. Throughout the Class Period, Defendants were members of the U.S. dollar LIBOR panel. Pursuant to their illegal conspiracy, Defendants knowingly and purposely submitted borrowing rates to Reuters that were below their true borrowing costs in order to suppress and manipulate LIBOR.

6. Defendants devised and executed their scheme to manipulate LIBOR in order to benefit their financial positions. Throughout the Class Period, Defendants sold financial products which tied rates of return to LIBOR. By manipulating LIBOR, Defendants paid lower returns to customers who bought those financial products.

7. Defendants' manipulation of LIBOR directly caused and resulted in an artificially lower LIBOR during the Class Period.

8. Defendants' conspiracy to suppress LIBOR violates Section 1 of the Sherman Act, 15 U.S.C. § 1. Plaintiff and members of the Class suffered damages by purchasing directly from Defendants during the Class Period financial products that had rates of return tied to LIBOR ("LIBOR-Based Derivatives"), as more fully alleged herein.

JURISDICTION AND VENUE

9. This action arises under Section 1 of the Sherman Act, 15 U.S.C., § 1, and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

10. This Court has jurisdiction under 28 U.S.C. §§ 1331 and 1337 and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

11. Venue is proper in this District pursuant to Sections 4, 12 and 16 of the Clayton Act, 15 U.S.C. §§ 15, 22 and 26 and 28 U.S.C. § 1391(b), (c) and (d). One or more of the Defendants resided, transacted business, were found, or had agents in the District, a substantial part of the events giving rise to Plaintiff's claims arose in the District, and a substantial portion of the affected interstate trade and commerce described herein has been carried out in this District.

PARTIES

12. During the Class Period, Plaintiff Baltimore purchased tens of millions of dollars worth of Interest Rate Swaps directly from at least one Defendant in which the rate of return was tied to LIBOR and was injured as a result of Defendants' anticompetitive conduct.

13. Defendant Bank of America Corporation ("Bank of America") is a Delaware corporation headquartered in Charlotte, North Carolina. During the Class Period, Bank of America was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

14. Defendant Barclays Bank plc ("Barclays") is a British public limited company headquartered in London, England. During the Class Period, Barclays was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

15. Defendant Citibank NA ("Citibank") is a wholly-owned subsidiary of the United States financial services corporation Citigroup, Inc., which is headquartered in New York, New York. During the Class Period, Citibank was a member of the British Bankers' Associations' U.S. dollar LIBOR panel.

16. Defendant HSBC Holdings plc ("HSBC Holdings") is a United Kingdom public company with its corporate headquarters in London, England. During the Class Period, HSBC was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

17. Defendant J.P. Morgan Chase & Co. ("JP Morgan") is a Delaware financial holding company headquartered in New York, New York. During the Class Period, JP Morgan was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

18. Defendant Lloyds Banking Group plc ("Lloyds") is a United Kingdom public limited company with its corporate headquarters in London, England. Lloyds was formed in 2009 through the acquisition of HBOS plc ("HBOS") and Lloyds TSB Bank plc ("Lloyds TSB"). During the Class Period, both HBOS and Lloyds TSB were members of the British Bankers' Association's U.S. dollar LIBOR panel.

19. Defendant UBS AG ("UBS") is a Swiss company based in Basel and Zurich, Switzerland. During the Class Period, UBS was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

20. Defendant WestLB AG ("WestLB") is a German joint stock company headquartered in Dusseldorf, Germany. During the Class Period, WestLB was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

UNNAMED CO-CONSPIRATORS

21. Various other entities and individuals not named as Defendants in this Complaint participated as co-conspirators in the acts complained of, and performed acts and made statements which aided and abetted and was in furtherance of the unlawful conduct alleged herein.

THE RELEVANT MARKET

22. The relevant market is LIBOR-Based Derivatives sold directly by Defendants.

CLASS ACTION ALLEGATIONS

23. Plaintiff brings this action as a class action under Rules 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure, on behalf of itself and all others similarly situated. The "Class" is defined as:

> All persons or entities other than Defendants and their employees, affiliates, parents, subsidiaries or co-conspirators (whether or not named in this Complaint) who purchased LIBOR-Based Derivatives directly from Defendants, including their subsidiaries and/or affiliates, from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased.

24. The Class is so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time, Plaintiff is informed and

believes that at least thousands of geographically dispersed Class members purchased LIBOR-Based Derivatives directly from Defendants during the Class Period.

25. Plaintiff's claims are typical of the claims of the other members of the Class. Plaintiff and the members of the Class sustained damages arising out of Defendants' common course of conduct in violation of law as complained herein. The injuries and damages of each member of the Class were directly caused by Defendants' wrongful conduct in violation of the antitrust laws as alleged herein.

26. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class action litigation, including antitrust class action litigation.

27. Common questions of law and fact exist as to all members of the Class which predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether Defendants conspired with others to artificially suppress LIBOR in violation of the Sherman Act;

(b) Whether Defendants' conduct had an anticompetitive and manipulative effect on LIBOR during the Class Period;

(c) Whether Defendants' conduct negatively affected the rates of return of LIBOR-Based Derivatives purchased directly from the Defendants during the Class Period; and

(d) The appropriate measure of damages for the injury sustained by Plaintiff and other members of the Class as a result of Defendants' unlawful activities.

28. A class action is superior to other available methods for the fair and efficient adjudication of this controversy because joinder of all Class members is impracticable. The

prosecution of separate actions by individual members of the Class would impose heavy burdens upon the courts and Defendants, and would create a risk of inconsistent or varying adjudications of the questions of law and fact common to the Class. A class action, on the other hand, would achieve substantial economies of time, effort and expense, and would assure uniformity of decision as to persons similarly situated without sacrificing procedural fairness or bringing about other undesirable results.

29. The interest of members of the Class in individually controlling the prosecution of separate actions is theoretical rather than practical. The Class has a high degree of cohesion, and prosecution of the action through representatives would be unobjectionable. The amounts at stake for Class members, while substantial in the aggregate, are not great enough individually to enable them to maintain separate suits against Defendants. Plaintiff does not anticipate any difficulty in the management of this action as a class action.

FACTUAL ALLEGATIONS

I. Background

A. Overview of LIBOR

30. Administered and owned by the BBA, LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

31. Every morning by 11:10 a.m. London time, the individual banks on the U.S. Dollar LIBOR panel send data to Reuters, a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates

public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. Dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

B. LIBOR-Based Derivatives

32. LIBOR is the primary benchmark for short-term interest rates globally.

33. According to the BBA, "the objectivity and accuracy of the [LIBOR] rates allowed derivatives to be created based on the data as a reference, and this has flourished to become an enormously successful cornerstone of business transacted in London and worldwide."

34. The perceived integrity of LIBOR allows many derivative products to be priced based on LIBOR. About $350 trillion worth of financial products globally reference LIBOR. To the extent that LIBOR is mispriced, these derivatives are also mispriced.

II. Defendants Unlawfully Conspired to Suppress and Manipulate LIBOR

35. In August, 2007, LIBOR began behaving erratically. Overnight, LIBOR began a period in which it dramatically decoupled from other financial indicators that had historically functioned as benchmarks. Reports initially assumed that low liquidity and increased credit risk endemic to the financial crisis were the likely contributing factors to the aberrant behavior of LIBOR. Subsequent examination reflects that Defendants were conspiring to artificially manipulate LIBOR to the benefit of their LIBOR-Based Derivatives positions.

36. As set forth below, Defendants' conspiracy to manipulate LIBOR throughout the Class Period is evidenced by several forms of analysis. During the Class Period, LIBOR shattered its historical relationships with various economic benchmarks, signifying that it was no longer representative of external market forces and was a result of manipulation by the

Defendants. Additionally, LIBOR has been shown to respond to external criticism, demonstrating that it was intentionally manipulated by Defendants, as opposed to reflecting an objective report of market conditions.

37. An examination of Defendants' LIBOR quotes reveals inconsistencies among Defendants' reporting across currencies and on a day-to-day basis, which supports the fact that Defendants purposefully and collectively agreed to underreport their actual borrowing costs in order to artificially and unlawfully suppress LIBOR. In so doing, they reaped massive profits from their enormous LIBOR-Based Derivatives positions, which directly benefited from their artificial suppression of LIBOR.

A. The Defendants' Unlawful Manipulation Of LIBOR

38. On December 12, 2007, the day after the Federal Reserve cut short-term interest rates for the third time that year in an effort to help ease the credit crunch and reduce the chances of an impending recession, The Wall Street Journal ("Journal") published an article predicting that continued worry over the credit crisis would effectively keep LIBOR rates high, even as other short-term interest rates would continue to fall. In fact, the Journal quoted one mortgage banker as stating that historically, in times of credit crisis, LIBOR rates have tended to spike.

39. Despite the Journal's prediction, in the early months of 2008, during the most significant financial crisis since the great depression, U.S. dollar-denominated LIBOR rates submitted by panel banks did not vary markedly, nor did they increase or decrease sharply. This fact did not correspond to traditional market behavior because in times of severe uncertainty, banks would normally be reluctant to lend to one another on an unsecured basis without receiving a higher risk premium.

40. In a market not artificially manipulated, LIBOR rates should have increased significantly during this period. In addition, because different panel banks were experiencing

different levels of economic stress, the panel banks should have been reporting markedly different borrowing rates. None of this was reflected in LIBOR rates reported by Defendants.

41. On April 16, 2008, the Journal published an article detailing the findings of a three month study it conducted into the borrowing rates of the 16 banks forming the U.S. dollar LIBOR panel. The Journal concluded that a number of banks – specifically Citibank, WestLB, HBOS, JP Morgan and UBS – had been reporting significantly lower borrowing costs than what other market measures suggest they should have been reporting. The Journal attributed this disparity to certain panel banks intentionally understating their borrowing rates.

42. The Journal's examination of the borrowing costs submitted by the panel banks during the first four months of 2008 indicated that the panel banks reported remarkably similar borrowing rates despite the fact that the banks were facing different financial stresses. For the first four months of 2008, for example, the three-month borrowing rates reported by the panel banks remained, on average, within a range of only .06 of a percentage point.

43. According to Professor Darrell Duffie, a Stanford University finance professor, the reported rates during the first four months of 2008 "[were] far too similar to be believed."

44. David Juran, a statistics professor at Columbia University who reviewed the Journal's methodology, concluded that the Journal's calculations demonstrate "very convincingly" that reported LIBOR rates are lower than what the market thinks they should be by a factor which well surpassed the threshold statisticians use to assess the significance of a result.

45. Following the Journal's April 16, 2008 report that the panel banks may be intentionally understating their borrowing rates, the BBA announced it would review LIBOR reporting process and remove any bank found to be reporting inaccurate rates from the panel.

46. In November 2007 and again in April 2008, the money market committee of the Bank of England raised questions about the integrity of LIBOR. The minutes of the committee's November 2007 meeting stated that, "several group members thought that Libor fixings had been lower than actual traded interbank rates." Minutes from the April, 2008 committee meeting noted that "U.S. dollar Libor rates had at times appeared lower than actual traded interbank rates." Similarly, Citigroup interest-rate strategist Scott Peng raised similar questions, writing that "Libor at times no longer represents the level at which banks extend loans to others."

47. On April 17, 2008, just days after the Journal published its analysis, there was a sudden jump in the U.S. dollar-denominated LIBOR. The benchmark dollar rate for three-month borrowing hit 2.1875% Thursday, or about .08 percentage points more than the 2.735% rate set on Wednesday.

48. Suspiciously, reported LIBOR rates for other currencies fell or remained relatively flat at the time the U.S. dollar LIBOR surged, a sign that the U.S. dollar LIBOR rate was susceptible to manipulation.

49. Notably, the significant move in the U.S. dollar-denominated LIBOR closely followed the BBA's announcement that it was accelerating its inquiry into the daily borrowing rates that banks provide to establish LIBOR rate.

50. The BBA's decision to speed up its inquiry was made in response to concerns expressed by bankers and the financial media that certain panel banks were not accurately reporting the rates they were paying for short-term loans.

51. In a note to clients the day after LIBOR surged, UBS strategist William O'Donnell suggested that the panel banks were responding to the heightened scrutiny, noting that

the BBA's announcement of its inquiry was an attempt "to bring publicly posted rates back into line with the shadow interbank money rate market."

52. At the time, William Porter, credit strategist at Credit Suisse, said he believed the three-month U.S. dollar LIBOR was .4 percentage points below where it should be. That echoed the view of Scott Peng, who concluded that LIBOR understated panel banks' true borrowing costs by as much as .3 percentage points.

B. Empirical Evidence Confirms Defendants' Manipulative and Conspiratorial Conduct

53. One of the unique characteristics of LIBOR's calculation is its opaqueness. The method for LIBOR calculation is only transparent to the extent that each panel bank reports to Reuters its borrowing rate and Reuters publicizes the rates and computes LIBOR. The internal calculations and methodology of the panel banks in determining their borrowing rates are unobservable to the public. This renders LIBOR susceptible to manipulation by Defendants. Since LIBOR is the basis for a large number of daily financial transactions, comparisons to observable market rates have historically been monitored.

54. In reaction to the media reports of LIBOR manipulation, various empirical studies have demonstrated that the aberrant behavior of LIBOR during the Class Period is suggestive of collective agreement amongst Defendants to manipulate and suppress LIBOR. During the Class Period, LIBOR deviated dramatically from its historic relationships with other economic indicators. This sudden and dramatic variation is consistent with the fact that LIBOR was in fact being manipulated by Defendants, as opposed to accurately reporting market characteristics.

1. LIBOR Diverges From Its Historical Relationship With The Eurodollar

55. The U.S. dollar LIBOR, in effect, measures the interest rate offered to panel banks to borrow U.S. dollar deposits, also known as Eurodollars. Eurodollars are also traded in

the market, and the market rate for Eurodollars is commonly seen as the best market proxy for LIBOR. An analysis conducted by Connan Snider, a Professor at UCLA and Thomas Youle, emphasized that, prior to August 2007, the previous day's Eurodollar bid rate was a better predictor of LIBOR than the previous days LIBOR.

56. Historically, the difference between LIBOR and Eurodollar rate, known as LIBOR/Eurodollar spread (effectively LIBOR minus the Eurodollar bid rate), average 2.75 basis points.[1] The spread was almost always positive, meaning the Eurodollar rate was slightly lower, reflecting the measurement of LIBOR as an offer rate and the Eurodollar rate as a bid rate on U.S. dollar deposits. After August 2007, Defendants' manipulation and suppression of LIBOR resulted in a decoupling of LIBOR and the Eurodollar rate, and a reversal of the relationship so that the spread was negative. In the post manipulation period, the average spread was -24.70 basis points.

57. Even more indicative of Defendants' manipulation was that after August 2007, LIBOR/Eurodollar spread became strongly negative as opposed to the historical mildly positive relationship, as illustrated by the chart below. This change in the historical relationship is evidence of the downward manipulation of LIBOR. In some cases, LIBOR was 15 to 20 basis points lower than the Eurodollar market rate. In effect, LIBOR reported that banks were offering Eurodollars at a rate lower than market participants were actually buying them, a result that strongly indicates Defendants' manipulation of LIBOR.

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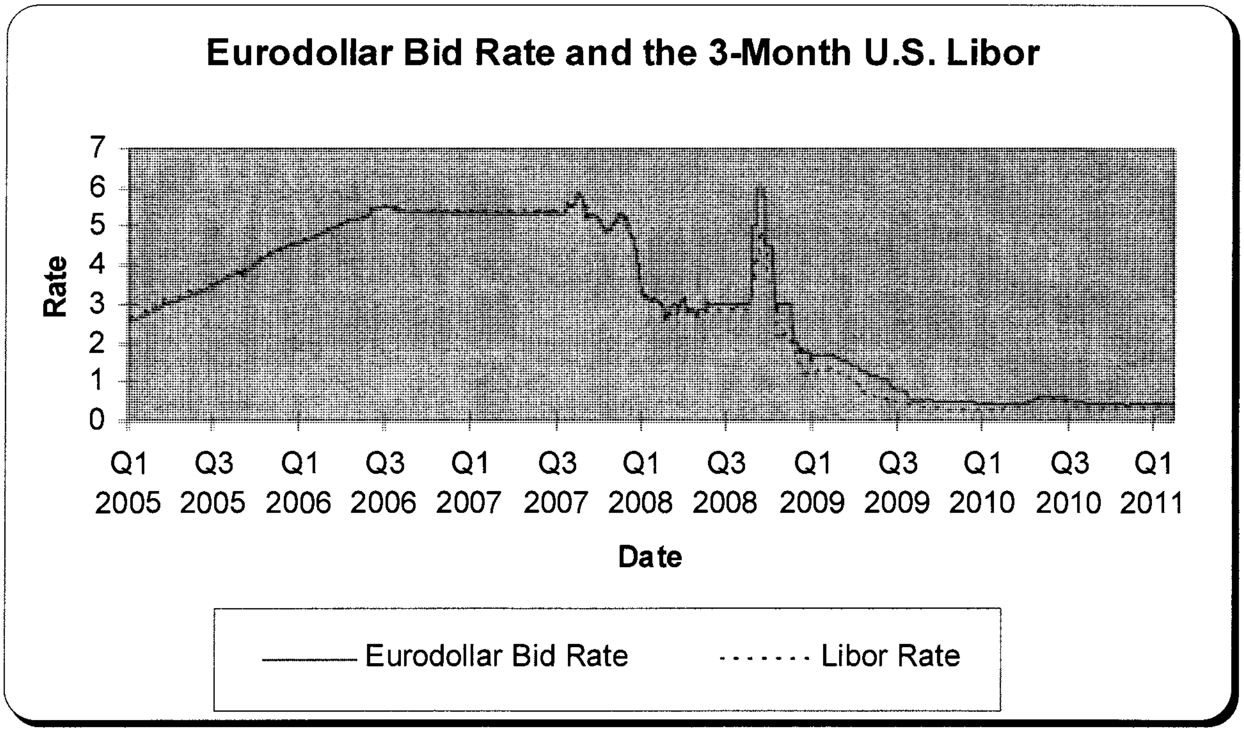
[1] A "basis point" is a term commonly used to measure a financial instrument, interest rates. A basis point is equal to 1/100th of 1%. It is a commonly used term of measurement for financial instruments because daily rate changes are typically smaller than 1 percent, though small changes have huge financial effects.



58. When Snider and Youle performed the identical analysis for the period after August 2007, they found that the previous day's Eurodollar rate had less predictive power on LIBOR. In fact, as LIBOR dropped below the Eurodollar rate, the previous day's LIBOR became a better predictor of the current LIBOR. This demonstrates that LIBOR was no longer responding to market forces, but instead was the product of Defendants' manipulation.

2. LIBOR Diverges From Its Historical Relationship With Credit Default Swaps

59. A credit default swap ("CDS") is a swap contract and agreement in which the protection buyer of the CDS makes a series of payments (often referred to as the CDS "fee" or "spread") to the protection seller and, in exchange, receives a payment if the underlying credit instrument (typically a bond or loan) experiences a credit event. The spread serves as a measure of the perceived risk of default by the entity issuing the underlying bond or receiving the loan. The greater the risk of default on the underlying bond or loan, the greater the spread. In the case

of a CDS whose underlying instrument is an interbank loan in which a panel bank is the borrower, the greater the perceived risk that the panel bank will default on the loan, the higher its CDS spread.

60. CDSs are a useful benchmark for LIBOR because both CDSs and LIBOR are a measure of perceived credit risks. On May 29, 2008, Carrick Mollenkamp and Mark Whitehouse ("Mollenkamp and Whitehouse") published an article in the Journal, emphasizing significant disparities between certain panel banks' perceived risk in the CDS market and their LIBOR reporting. A higher CDS spread is indicative of a larger perceived risk in lending to an institution because it represents the cost of insuring against a default on that loan.

61. In their analysis, which followed Mollenkamp and Whitehouse, Snider and Youle performed two separate comparisons between LIBOR and CDSs to highlight inconsistencies in LIBOR reporting. First, they noted that a specific reporting bank may have a comparatively higher CDS spread than a second reporting bank (and therefore be perceived as comparatively "riskier"), while simultaneously having a lower LIBOR than the same bank (which would indicate that it is perceived as a "less risky" investment). For example, Citigroup consistently has a substantially higher CDS spread than the Bank of Tokyo – Mitsubishi, yet Citigroup reported comparatively lower LIBOR quotes. Mollenkamp and Whitehouse also noted the same pattern.

C. Inconsistencies With LIBOR Reporting By Individual Banks

62. A close examination of the borrowing rates reported by Defendants to Reuters for calculation of LIBOR during the Class period and each bank's incentive to manipulate LIBOR further evidences Defendants' conspiracy to manipulate and suppress LIBOR. For example, Alexandre Harthieser of ESCP Europe and Natixis Bank and Phillippe K. Spieser, Professor of

Finance at ESCP Europe, performed clustering analysis on the panel members' individual reporting and concluded that "a suspect cartel has been identified."

1. Panel Banks Report Inconsistent Rates Across Currencies

63. Panel Banks report LIBOR across different currencies each day. Since LIBOR is a measure of a bank's stability as an institution, absent manipulation, the comparative ranking of panel banks should largely be the same across different currencies (allowing for the variation in panel composition across currencies). A comparison of LIBOR across different currencies shows this is not consistently so.

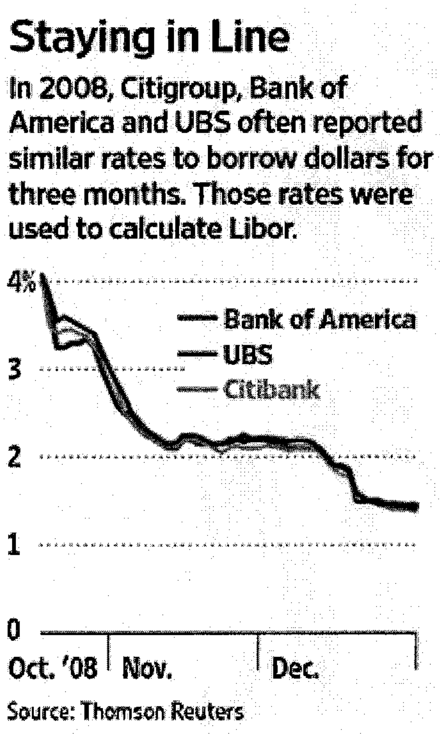
64. For example, Bank of America and Bank of Tokyo-Mitsubishi both report rates to Reuters for calculation of the U.S. dollar and Yen LIBOR. Over the manipulation period, it was common for Bank of America to simultaneously quote a lower rate than Bank of Tokyo-Mitsubishi in U.S. dollar LIBOR and a higher quote in the Yen LIBOR. Since institutional risk should be the same for each panel bank regardless of the what currency it is measured in, this indicates that the rates being reported do not accurately reflect market conditions and are an indication of manipulation.

2. Bunching

65. Throughout the Class Period, the rates reported by certain Defendants "bunch" around the fourth lowest quote each day. That is to say that the rates reported by those Defendants to Reuters were consistently near the fourth lowest of the 16 panel banks. Since Reuters, at the time, calculated LIBOR by removing the lowest (and highest) four reported rates everyday, bunching around the fourth lowest rate is suggestive that those Defendants collectively acted and colluded to suppress and manipulate LIBOR.

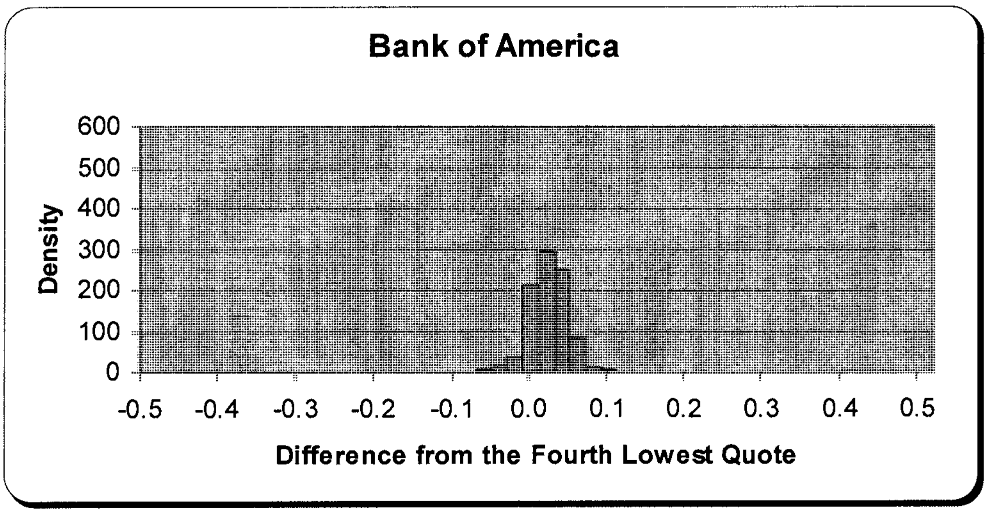
66. As an initial matter, bunching among Defendants' reported rates demonstrates that Defendants intended to report the same or similar rates. The individual variation between

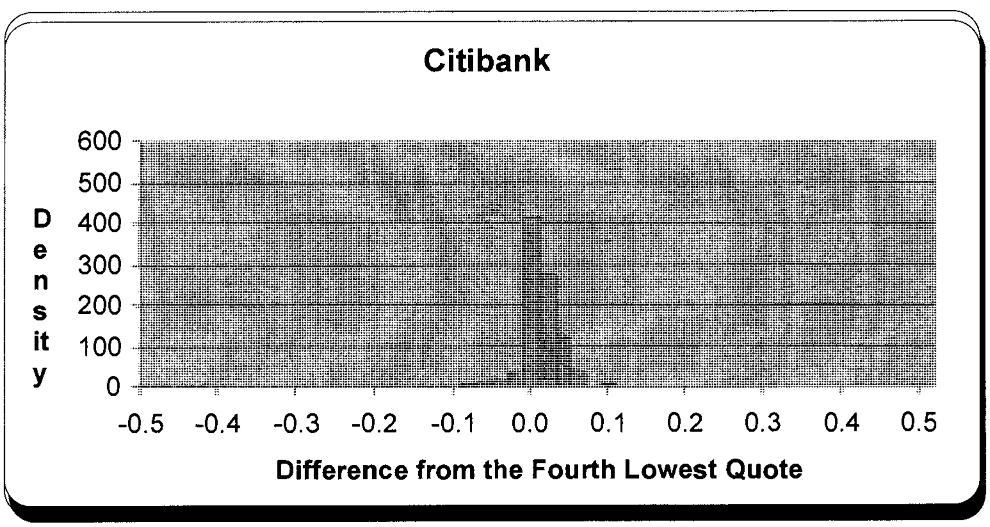
the financial situation of each reporting bank should lead to differences in the reported rates. The fact that, throughout the Class Period, Defendants repeatedly reported identical rates to Reuters is an indication that the Defendants were conspiring to manipulate LIBOR. The chart below, for example, indicates that, in late 2008, Bank of America, UBS and Citibank reported nearly identical rates to borrow dollars for three months.



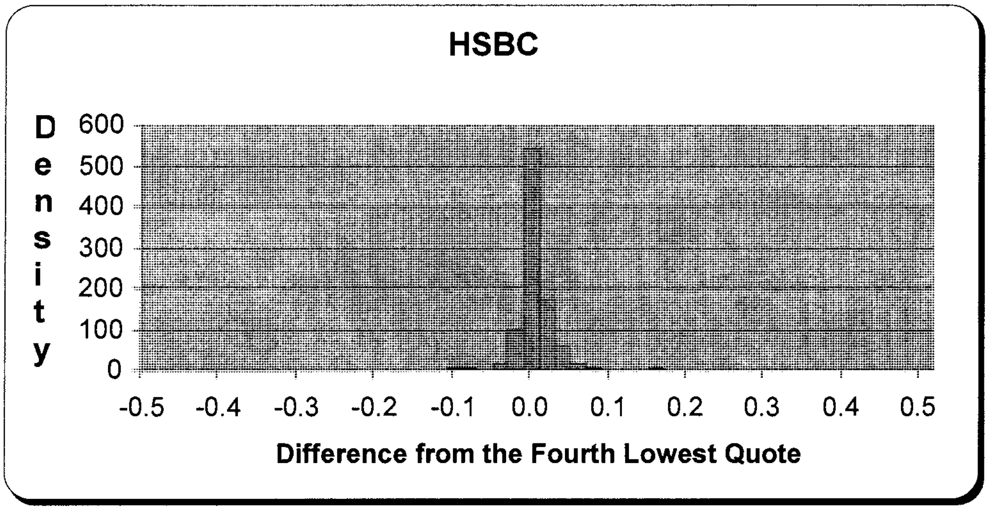
67. Further, certain Defendants' consistent bunching of their reported rates at or near the fourth lowest position is suggestive of their intent to artificially suppress LIBOR. This is because the fifth lowest quote is the lowest quote that is included by Reuters in calculating the day's LIBOR. Defendants' clustering at or near the fourth lowest rate ensures that the artificially low rates reported by Defendants will be included in the BBA's daily calculation resulting in the artificial suppression of LIBOR.

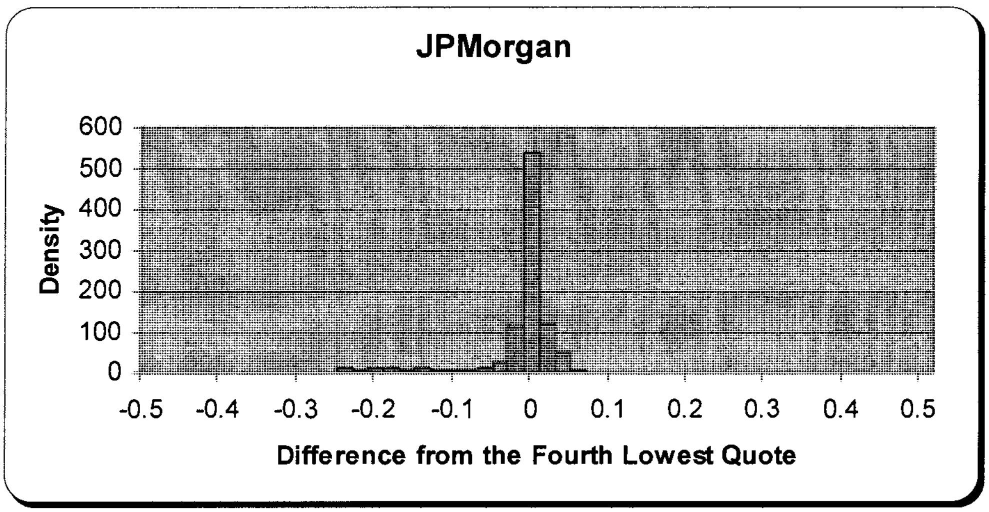
68. The following charts of daily U.S. dollar LIBOR reported rates show the frequency with which Defendants Bank of America, Citibank, HSBC, and JP Morgan reported within a given percentage rate from the 4th lowest quote. A negative difference means that they were below the 4th lowest quote, and therefore not included in the daily LIBOR calculation. Zero difference means that they either were the 4th lowest quote on a given day or tied at the same value as the 4th lowest quote.[2]





[2] If there is a tie between LIBOR quotes on a given day, one of the banks' quotes is discarded at random.





69. While bunching is reflective of Defendants' intention to report the lowest borrowing rate to be calculated by Reuters, *i.e.*, the fifth lowest borrowing rate, this does not suggest that the panel banks reporting the four lowest quotes (quotes that are discarded by Reuters) are not members of the conspiracy. Due to the mechanics of LIBOR calculation, there will always be discounted outliers. If all of the panel banks reported the same low rate, the lowest four would always be discounted. Therefore by bunching quoted rates around the 4th lowest rate, the panel banks ensured the maximum downward manipulation.

3. Defendants Had Significant Incentives to Manipulate LIBOR

70. Defendants held significant financial positions in LIBOR-Based Derivatives, such as in exchange-traded futures contracts and in over-the-counter Interest Rate Swaps, providing them incentive to suppress LIBOR. Defendants' positions in Interest Rate Swaps, for example, were so large throughout the Class Period, that even a small unhedged exposure to LIBOR-Based Derivatives would create enormous financial incentives for Defendants to manipulate LIBOR. Furthermore, when LIBOR experienced a significant drop in Q1 2009, Defendants reaped billions of dollars in profits. It was no accident that Defendants experienced sharply increased profits in their Interest Rate Swap positions at the time LIBOR fell – Defendants purposely took positions in Interest Rate Swaps, which benefited from their suppression of LIBOR. Upon information and belief, throughout the Class Period, Defendants' manipulation and suppression of LIBOR benefited their other LIBOR-Based derivative positions as well.

71. As a result of these incentives Defendants' trading positions came to dominate their reporting obligations to the BBA. A Financial Times article reports, for example, that Barclays is currently under investigation by the regulatory authorities of the United States and the United Kingdom for violating "Chinese Wall" rules which restrict information sharing between different parts of the bank. Barclays' treasury department submits its daily borrowing costs to the BBA and is walled-off from its traders. Barclays is being investigated regarding communications between its traders and its treasury department which improperly influenced the daily submission process.

III. Governmental Investigations

72. Defendants' conspiracy to manipulate and make artificial LIBOR-Based Derivatives during the Class Period has spurred investigations by numerous government regulatory agencies into the reporting practices of various banks on the U.S. dollar panel.

73. The regulatory investigations were first publicly disclosed on March 15, 2011, when UBS disclosed in its annual report that it had received subpoenas from the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the United States Department of Justice, as well as an information request from the Japanese Financial Supervisory Agency, relating to its reporting of lending rates to Reuters for calculation of LIBOR. UBS's disclosure states that the focus of the investigations is "whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate LIBOR at certain times." Other Defendants have subsequently disclosed that they are subject to investigation by regulatory authorities related to LIBOR. On August 1, 2011, for example, HSBC released its 2011 Interim Results and Barclays released its Half-Yearly Report in the United Kingdom, each disclosing that they were under investigation by various regulatory authorities around the World. Barclays specifically identified investigations by the United Kingdom Financial Services Authority, the Commodity Futures Trading Commission, the Securities and Exchange Commission, the Department of Justice Fraud Section of the Criminal Division and Antitrust Division' and the European Commission. The Journal has reported that the investigators are looking into whether the banks effectively formed a global cartel and coordinated how to report borrowing costs between 2006 and 2008.

74. A Financial Times article published the same day as UBS's disclosure reported that the three U.S. agencies the Japanese Financial Supervisory Agency and the United Kingdom's Financial Services Authority had also requested information, and had begun interviewing witnesses, connected to Defendants for several months.

75. On July 26, 2011, the Financial Times reported that investigators had expanded their probe to include yen-based LIBOR and the Tokyo interbank offered rate ("TIBOR"). In its

results announcement made that day, UBS confirmed that the investigation's scope had widened and disclosed that it had received "conditional leniency and conditional immunity" from the United States Department of Justice for turning over information on the setting of yen-based LIBOR and of the Tokyo interbank offered rate ("TIBOR"). UBS said that while its immunity stretched to the yen-based LIBOR and the TIBOR the deal did not bar the Department of Justice or other "government agencies from asserting other claims against us". The Antitrust Division's leniency policies were established for corporations and individuals "reporting their illegal antitrust activity" and the policies protect leniency recipients from criminal conviction. Notably, each of the Defendants from 2006 to 2009 were members of the yen-based LIBOR panel.

76. Latham & Watkins LLP has observed that the coordinated antitrust investigations in the United States, EU, UK, and Japan indicate that the enforcers are cooperating with each other and that the antitrust investigations may have been triggered by one of the banks taking advantage of the Antitrust Division's Corporate Leniency Policy, as well as other leniency policies around the globe.

FRAUDULENT CONCEALMENT

77. By its very nature, the unlawful activity, as alleged herein, that Defendants engaged in was self-concealing. Defendants, *inter alia*, conspired and engaged in secret and surreptitious activities in order to manipulate LIBOR.

78. Defendants fraudulently concealed their participation in their conspiracy to manipulate LIBOR by, among other things, engaging in secret meetings and communications in furtherance of the conspiracies. Because of such fraudulent concealment, and the fact that a conspiracy in restraint of trade is inherently self-concealing, Plaintiff and the members of the

Class could not have discovered the existence of Defendants' conspiracy and manipulation any earlier than public disclosures thereof.

79. Defendants agreed among themselves not to discuss publicly or otherwise reveal the nature and substance of the acts and communications in furtherance of their illegal conspiracy and manipulation.

80. Defendants' actions in fraudulently concealing their illegal conspiracy caused the BBA, the organization that owns and administers LIBOR, to issue a number of statements defending the integrity of LIBOR.

81. For instance, in a statement issued in May 2008, in response to published reports suggesting that Defendants had artificially suppressed LIBOR as evidenced by the decoupling of LIBOR from the CDS market, a BBA spokeswoman announced that there was "no indication" that the default-insurance market provides a more accurate picture of banks' borrowing costs than LIBOR.

82. In June 2009, John Ewan, director of the BBA, represented that LIBOR was "not a false signal to the markets." Even as recently as March 2011, in response to UBS's disclosure that it was the subject of government investigations in connection with Defendants' suppression of LIBOR, the BBA issued a statement characterizing LIBOR as an "accurate and reliable benchmark[]."

83. Plaintiff and members of the Class were lulled into believing that the returns on their LIBOR-Based Derivatives were the result of market conditions, rather than the product of Defendants' manipulation and collusive activities.

84. Because of Defendants' active steps, including fraudulent concealment of their conspiracy to prevent Plaintiffs and members of the Classes from suing them for the

anticompetitive activities alleged in this Complaint, Defendants are equitably estopped from asserting that any otherwise applicable limitations period has run.

DEFENDANTS' ANTITRUST VIOLATIONS

85. Beginning at least as early as August 1, 2007, and continuing until at least the date of the filing of the Complaint, the exact dates being unknown to Plaintiff, Defendants and their co-conspirators engaged in a continuing agreement, understanding, or conspiracy in restraint of trade to artificially fix, maintain, suppress and stabilize LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them.

86. In formulating and effectuating the contract, combination, or conspiracy, Defendants and their co-conspirators engaged in anticompetitive activities, the purpose and effect of which were to fix, maintain, suppress and otherwise make artificial the price of LIBOR-Based Derivatives. These activities included the following:

(a) Defendants participated in meetings and/or conversations to unlawfully discuss their reporting of their borrowing rates to Reuters for calculation of the daily LIBOR;

(b) Defendants agreed during those meetings and conversations to unlawfully report their borrowing rates to Reuters for calculation of LIBOR in order to drive down LIBOR and otherwise to depress or make artificial LIBOR;

(c) Defendants signaled to one another their intention to depress or otherwise make artificial LIBOR and colluded with one another in achieving this unlawful and anticompetitive purpose; and

(d) Pursuant to such an unlawful conspiracy in restraint of trade, Defendants knowingly and collusively traded in order to depress or otherwise make artificial the price of LIBOR-Based Derivatives.

ALLEGATIONS OF ANTITRUST INJURY TO PLAINTIFF AND THE CLASS

87. Defendants' anticompetitive conduct had severe adverse consequences on competition in that Plaintiff and other members of the Class who traded in LIBOR-Based Derivatives during the Class Period were trading at artificially determined prices that were made artificial as a result of Defendants' unlawful conduct. As a consequence thereof, Plaintiff and the Class suffered financial losses and were, therefore, injured in their business or property.

COUNT ONE

VIOLATIONS OF SECTION 1 OF THE SHERMAN ACT

88. Plaintiff incorporates by reference the preceding allegations.

89. Defendants and their unnamed co-conspirators entered into and engaged in a conspiracy in unreasonable restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act.

90. During the Class Period, Defendants controlled what LIBOR rate would be reported and therefore controlled the rates of return on LIBOR-Based Derivatives sold by them.

91. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained, suppressed and stabilized LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them. Defendants' conspiracy is a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade and commerce.

92. Defendants' conspiracy, and resulting impact on the market for LIBOR-Based Derivatives, occurred in or affected interstate and foreign commerce.

93. As a proximate result of Defendants' unlawful conduct, Plaintiff and members of the Class have suffered injury to their business or property.

94. Plaintiff and members of the Class are each entitled to treble damages for the violations of the Sherman Act alleged herein.

COUNT TWO

UNJUST ENRICHMENT AND RESTITUTION

95. Plaintiff incorporates by reference the preceding allegations.

96. It would be inequitable for Defendants to be permitted to retain the benefit which Defendants obtained from their manipulative acts and at the expense of Plaintiff and members of the Class.

97. Plaintiff and members of the Class are entitled to the establishment of a constructive trust impressed on the benefits to Defendants from their unjust enrichment and inequitable conduct.

98. Alternatively or additionally each Defendant should pay restitution or its own unjust enrichment to Plaintiff and members of the Class.

RELIEF SOUGHT

Accordingly, Plaintiff demands relief as follows:

A. That the Court determine that this action may be maintained as a class action under Rule 23(b)(3) of the Federal Rules of Civil Procedure, that Plaintiff be appointed as class representative, and that Plaintiff's counsel be appointed as counsel for the Class;

B. That the unlawful conduct alleged herein be adjudged and decreed to be an unlawful restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act;

C. That Defendants, their subsidiaries, affiliates, successors, transferees, assignees and the respective officers, directors, partners, agents, and employees and all other persons acting or claiming to act on their behalf, be permanently enjoined and restrained from continuing and maintaining the conspiracy alleged in the Complaint;

D. That Plaintiff and the Class recover damages, as provided under federal antitrust laws, and that a joint and several judgment in favor of Plaintiff and the Class be entered against Defendants in an amount to be trebled in accordance with such laws;

E. That Plaintiff and the Class recover their costs of the suit, including attorneys' fees, as provided by law; and

F. That the Court direct such further relief it may deem just and proper.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38(a) of the Federal Rules of Civil Procedure, Plaintiff demands a jury trial as to all issues triable by a jury.

Dated: August 3, 2011

Respectfully submitted,

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Counsel for Plaintiff and the Proposed Class

FW: LIBOR and the GSEs

Item ID:	31758
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted] (b) (6)
Subject:	FW: LIBOR and the GSEs
Sent:	September 6, 2012 4:40 PM
Received:	September 6, 2012 4:40 PM

Hi [redacted] (b) (6), FYI. This basically recaps today's conversation with the FHFA folks. [redacted] (b) (5) As the note says, I expect to line up a call and make introductions early next week to move matters along. Tim From: Lee, Timothy Sent: Thursday, September 06, 2012 4:34 PM To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov); stephen.cross@fhfa.gov; fred.graham@fhfa.gov; Sciacca, Christie (Christie.Sciacca@fhfa.gov) Subject: LIBOR and the GSEs Hi Jon, Steve, Fred, Christie and Nina, Following up from our meeting, please find several files attached as additional background. · The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprises' net "receive floating" interest rate swaps positions, relative to the "fair" amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge [redacted] (b) (5). · The Baltimore LIBOR complaint is also attached; it defines "Class" on page 5, paragraph 23. [redacted] (b) (5). They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1

LIBOR proposal.xlsx

Original view

2 pages (displayed on pages 3 to 4)

Cash Flow Shortfall from LIBOR Suppression

Enterprises Interest Rate Swaps

dollars in millions

Swap Notic	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10
Fannie Mae							
Pay Fixed S	546,916	620,850	650,447	435,693	382,600	315,857	317,259
Less: Recei	451,081	549,823	571,802	340,384	275,417	229,293	234,901
Plus: Basis	24,560	19,815	22,200	11,000	3,225	3,220	3,020
Net Receiv	120,395	90,842	100,845	106,309	110,408	89,784	85,378
Freddie Mac							
Less: Rece	266,685	336,207	284,244	320,458	271,403	255,940	349,545
Plus: Pay F	404,359	342,747	401,904	414,776	382,259	382,145	386,194
Plus: Basis Swaps		82,090	51,065	51,615	52,045	54,070	53,910
Net Receiv	137,674	88,630	168,725	145,933	162,901	180,275	90,559
Enterprises							
Net Receiv	258,069	179,472	269,570	252,242	273,309	270,059	175,937
Swap Cash Flow Shortfall - Quarterly Totals							
0.10%	64.5	44.9	67.4	63.1	68.3	67.5	44.0
0.20%	129.0	89.7	134.8	126.1	136.7	135.0	88.0
0.30%	193.6	134.6	202.2	189.2	205.0	202.5	132.0
0.40%	258.1	179.5	269.6	252.2	273.3	270.1	175.9
Swap Cash Flow Shortfall - Cumulative							
0.10%	64.5	109.4	176.8	239.8	308.2	375.7	419.7
0.20%	129.0	218.8	353.6	479.7	616.3	751.4	839.3
0.30%	193.6	328.2	530.3	719.5	924.5	1,127.0	1,259.0
0.40%	258.1	437.5	707.1	959.4	1,232.7	1,502.7	1,678.7

30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	30-Jun-12
296,877	277,227	270,250	205,084	193,882	186,757	206,307	229,227
233,613	224,177	214,777	161,151	179,808	229,695	250,322	265,593
2,485	485	1,565	2,552	6,997	9,622	18,673	20,922
65,749	53,535	57,038	46,485	21,071	(33,316)	(25,342)	(15,444)
316,574	324,590	249,793	215,758	220,668	211,808	248,453	260,428
363,668	394,294	330,015	321,870	293,683	289,335	296,573	292,660
2,775	2,375	3,375	3,275	2,275	2,750	2,400	2,350
49,869	72,079	83,597	109,387	75,290	80,277	50,520	34,582
115,618	125,614	140,635	155,872	96,361	46,961	25,178	19,138
28.9	31.4	35.2	39.0	24.1	11.7	6.3	4.8
57.8	62.8	70.3	77.9	48.2	23.5	12.6	9.6
86.7	94.2	105.5	116.9	72.3	35.2	18.9	14.4
115.6	125.6	140.6	155.9	96.4	47.0	25.2	19.1
448.6	480.0	515.1	554.1	578.2	589.9	596.2	601.0
897.1	959.9	1,030.3	1,108.2	1,156.4	1,179.9	1,192.4	1,202.0
1,345.7	1,439.9	1,545.4	1,662.3	1,734.6	1,769.8	1,788.7	1,803.0
1,794.3	1,919.9	2,060.5	2,216.4	2,312.8	2,359.7	2,384.9	2,404.0

Attachment #2

LIBOR_Baltimore initial complaint.pdf

Original view

28 pages (displayed on pages 6 to 33)

11 CIV 5450

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

MAYOR AND CITY COUNCIL OF BALTIMORE, on behalf of itself and all others similarly situated, Plaintiff, vs. BANK OF AMERICA CORPORATION; BARCLAYS BANK PLC; CITIBANK NA; HSBC HOLDINGS PLC; J.P. MORGAN CHASE & CO.; LLOYDS BANKING GROUP PLC; UBS AG; and WESTLB AG., Defendants.	Case No. ____________ **CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL ANTITRUST LAWS** **JURY TRIAL DEMANDED**

Plaintiff Mayor and City Council of Baltimore ("Baltimore" or "Plaintiff"), on behalf of itself and all others similarly situated, brings this action against defendants Bank of America Corporation, Barclays Bank plc, Citibank NA, HSBC Holdings plc, JP Morgan Chase & Co., Lloyds Banking Group plc, UBS AG, and WestLB AG (collectively, "Defendants") and alleges as follows:

NATURE OF CLAIM

1. This action arises from Defendants' conspiracy to unlawfully manipulate the London Interbank Offered Rate for the U.S. dollar ("LIBOR") from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased, in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

2. As alleged herein, during the Class Period (defined below), Defendants conspired to and did suppress and manipulate LIBOR throughout the Class Period.

3. Owned and administered by the British Bankers Association ("BBA"), LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

4. Every morning by 11:10 a.m. London time, the individual banks on the U.S. dollar LIBOR panel send data to Thompson Reuters Group ("Reuters"), a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

5. Throughout the Class Period, Defendants were members of the U.S. dollar LIBOR panel. Pursuant to their illegal conspiracy, Defendants knowingly and purposely submitted borrowing rates to Reuters that were below their true borrowing costs in order to suppress and manipulate LIBOR.

6. Defendants devised and executed their scheme to manipulate LIBOR in order to benefit their financial positions. Throughout the Class Period, Defendants sold financial products which tied rates of return to LIBOR. By manipulating LIBOR, Defendants paid lower returns to customers who bought those financial products.

7. Defendants' manipulation of LIBOR directly caused and resulted in an artificially lower LIBOR during the Class Period.

8. Defendants' conspiracy to suppress LIBOR violates Section 1 of the Sherman Act, 15 U.S.C. § 1. Plaintiff and members of the Class suffered damages by purchasing directly from Defendants during the Class Period financial products that had rates of return tied to LIBOR ("LIBOR-Based Derivatives"), as more fully alleged herein.

JURISDICTION AND VENUE

9. This action arises under Section 1 of the Sherman Act, 15 U.S.C., § 1, and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

10. This Court has jurisdiction under 28 U.S.C. §§ 1331 and 1337 and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

11. Venue is proper in this District pursuant to Sections 4, 12 and 16 of the Clayton Act, 15 U.S.C. §§ 15, 22 and 26 and 28 U.S.C. § 1391(b), (c) and (d). One or more of the Defendants resided, transacted business, were found, or had agents in the District, a substantial part of the events giving rise to Plaintiff's claims arose in the District, and a substantial portion of the affected interstate trade and commerce described herein has been carried out in this District.

PARTIES

12. During the Class Period, Plaintiff Baltimore purchased tens of millions of dollars worth of Interest Rate Swaps directly from at least one Defendant in which the rate of return was tied to LIBOR and was injured as a result of Defendants' anticompetitive conduct.

13. Defendant Bank of America Corporation ("Bank of America") is a Delaware corporation headquartered in Charlotte, North Carolina. During the Class Period, Bank of America was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

14. Defendant Barclays Bank plc ("Barclays") is a British public limited company headquartered in London, England. During the Class Period, Barclays was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

15. Defendant Citibank NA ("Citibank") is a wholly-owned subsidiary of the United States financial services corporation Citigroup, Inc., which is headquartered in New York, New York. During the Class Period, Citibank was a member of the British Bankers' Associations' U.S. dollar LIBOR panel.

16. Defendant HSBC Holdings plc ("HSBC Holdings") is a United Kingdom public company with its corporate headquarters in London, England. During the Class Period, HSBC was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

17. Defendant J.P. Morgan Chase & Co. ("JP Morgan") is a Delaware financial holding company headquartered in New York, New York. During the Class Period, JP Morgan was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

18. Defendant Lloyds Banking Group plc ("Lloyds") is a United Kingdom public limited company with its corporate headquarters in London, England. Lloyds was formed in 2009 through the acquisition of HBOS plc ("HBOS") and Lloyds TSB Bank plc ("Lloyds TSB"). During the Class Period, both HBOS and Lloyds TSB were members of the British Bankers' Association's U.S. dollar LIBOR panel.

19. Defendant UBS AG ("UBS") is a Swiss company based in Basel and Zurich, Switzerland. During the Class Period, UBS was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

20. Defendant WestLB AG ("WestLB") is a German joint stock company headquartered in Dusseldorf, Germany. During the Class Period, WestLB was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

UNNAMED CO-CONSPIRATORS

21. Various other entities and individuals not named as Defendants in this Complaint participated as co-conspirators in the acts complained of, and performed acts and made statements which aided and abetted and was in furtherance of the unlawful conduct alleged herein.

THE RELEVANT MARKET

22. The relevant market is LIBOR-Based Derivatives sold directly by Defendants.

CLASS ACTION ALLEGATIONS

23. Plaintiff brings this action as a class action under Rules 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure, on behalf of itself and all others similarly situated. The "Class" is defined as:

> All persons or entities other than Defendants and their employees, affiliates, parents, subsidiaries or co-conspirators (whether or not named in this Complaint) who purchased LIBOR-Based Derivatives directly from Defendants, including their subsidiaries and/or affiliates, from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased.

24. The Class is so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time, Plaintiff is informed and

believes that at least thousands of geographically dispersed Class members purchased LIBOR-Based Derivatives directly from Defendants during the Class Period.

25. Plaintiff's claims are typical of the claims of the other members of the Class. Plaintiff and the members of the Class sustained damages arising out of Defendants' common course of conduct in violation of law as complained herein. The injuries and damages of each member of the Class were directly caused by Defendants' wrongful conduct in violation of the antitrust laws as alleged herein.

26. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class action litigation, including antitrust class action litigation.

27. Common questions of law and fact exist as to all members of the Class which predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether Defendants conspired with others to artificially suppress LIBOR in violation of the Sherman Act;

(b) Whether Defendants' conduct had an anticompetitive and manipulative effect on LIBOR during the Class Period;

(c) Whether Defendants' conduct negatively affected the rates of return of LIBOR-Based Derivatives purchased directly from the Defendants during the Class Period; and

(d) The appropriate measure of damages for the injury sustained by Plaintiff and other members of the Class as a result of Defendants' unlawful activities.

28. A class action is superior to other available methods for the fair and efficient adjudication of this controversy because joinder of all Class members is impracticable. The

prosecution of separate actions by individual members of the Class would impose heavy burdens upon the courts and Defendants, and would create a risk of inconsistent or varying adjudications of the questions of law and fact common to the Class. A class action, on the other hand, would achieve substantial economies of time, effort and expense, and would assure uniformity of decision as to persons similarly situated without sacrificing procedural fairness or bringing about other undesirable results.

29. The interest of members of the Class in individually controlling the prosecution of separate actions is theoretical rather than practical. The Class has a high degree of cohesion, and prosecution of the action through representatives would be unobjectionable. The amounts at stake for Class members, while substantial in the aggregate, are not great enough individually to enable them to maintain separate suits against Defendants. Plaintiff does not anticipate any difficulty in the management of this action as a class action.

FACTUAL ALLEGATIONS

I. Background

A. Overview of LIBOR

30. Administered and owned by the BBA, LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

31. Every morning by 11:10 a.m. London time, the individual banks on the U.S. Dollar LIBOR panel send data to Reuters, a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates

public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. Dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

B. LIBOR-Based Derivatives

32. LIBOR is the primary benchmark for short-term interest rates globally.

33. According to the BBA, "the objectivity and accuracy of the [LIBOR] rates allowed derivatives to be created based on the data as a reference, and this has flourished to become an enormously successful cornerstone of business transacted in London and worldwide."

34. The perceived integrity of LIBOR allows many derivative products to be priced based on LIBOR. About $350 trillion worth of financial products globally reference LIBOR. To the extent that LIBOR is mispriced, these derivatives are also mispriced.

II. Defendants Unlawfully Conspired to Suppress and Manipulate LIBOR

35. In August, 2007, LIBOR began behaving erratically. Overnight, LIBOR began a period in which it dramatically decoupled from other financial indicators that had historically functioned as benchmarks. Reports initially assumed that low liquidity and increased credit risk endemic to the financial crisis were the likely contributing factors to the aberrant behavior of LIBOR. Subsequent examination reflects that Defendants were conspiring to artificially manipulate LIBOR to the benefit of their LIBOR-Based Derivatives positions.

36. As set forth below, Defendants' conspiracy to manipulate LIBOR throughout the Class Period is evidenced by several forms of analysis. During the Class Period, LIBOR shattered its historical relationships with various economic benchmarks, signifying that it was no longer representative of external market forces and was a result of manipulation by the

Defendants. Additionally, LIBOR has been shown to respond to external criticism, demonstrating that it was intentionally manipulated by Defendants, as opposed to reflecting an objective report of market conditions.

37. An examination of Defendants' LIBOR quotes reveals inconsistencies among Defendants' reporting across currencies and on a day-to-day basis, which supports the fact that Defendants purposefully and collectively agreed to underreport their actual borrowing costs in order to artificially and unlawfully suppress LIBOR. In so doing, they reaped massive profits from their enormous LIBOR-Based Derivatives positions, which directly benefited from their artificial suppression of LIBOR.

A. The Defendants' Unlawful Manipulation Of LIBOR

38. On December 12, 2007, the day after the Federal Reserve cut short-term interest rates for the third time that year in an effort to help ease the credit crunch and reduce the chances of an impending recession, The Wall Street Journal ("Journal") published an article predicting that continued worry over the credit crisis would effectively keep LIBOR rates high, even as other short-term interest rates would continue to fall. In fact, the Journal quoted one mortgage banker as stating that historically, in times of credit crisis, LIBOR rates have tended to spike.

39. Despite the Journal's prediction, in the early months of 2008, during the most significant financial crisis since the great depression, U.S. dollar-denominated LIBOR rates submitted by panel banks did not vary markedly, nor did they increase or decrease sharply. This fact did not correspond to traditional market behavior because in times of severe uncertainty, banks would normally be reluctant to lend to one another on an unsecured basis without receiving a higher risk premium.

40. In a market not artificially manipulated, LIBOR rates should have increased significantly during this period. In addition, because different panel banks were experiencing

different levels of economic stress, the panel banks should have been reporting markedly different borrowing rates. None of this was reflected in LIBOR rates reported by Defendants.

41. On April 16, 2008, the Journal published an article detailing the findings of a three month study it conducted into the borrowing rates of the 16 banks forming the U.S. dollar LIBOR panel. The Journal concluded that a number of banks – specifically Citibank, WestLB, HBOS, JP Morgan and UBS – had been reporting significantly lower borrowing costs than what other market measures suggest they should have been reporting. The Journal attributed this disparity to certain panel banks intentionally understating their borrowing rates.

42. The Journal's examination of the borrowing costs submitted by the panel banks during the first four months of 2008 indicated that the panel banks reported remarkably similar borrowing rates despite the fact that the banks were facing different financial stresses. For the first four months of 2008, for example, the three-month borrowing rates reported by the panel banks remained, on average, within a range of only .06 of a percentage point.

43. According to Professor Darrell Duffie, a Stanford University finance professor, the reported rates during the first four months of 2008 "[were] far too similar to be believed."

44. David Juran, a statistics professor at Columbia University who reviewed the Journal's methodology, concluded that the Journal's calculations demonstrate "very convincingly" that reported LIBOR rates are lower than what the market thinks they should be by a factor which well surpassed the threshold statisticians use to assess the significance of a result.

45. Following the Journal's April 16, 2008 report that the panel banks may be intentionally understating their borrowing rates, the BBA announced it would review LIBOR reporting process and remove any bank found to be reporting inaccurate rates from the panel.

46. In November 2007 and again in April 2008, the money market committee of the Bank of England raised questions about the integrity of LIBOR. The minutes of the committee's November 2007 meeting stated that, "several group members thought that Libor fixings had been lower than actual traded interbank rates." Minutes from the April, 2008 committee meeting noted that "U.S. dollar Libor rates had at times appeared lower than actual traded interbank rates." Similarly, Citigroup interest-rate strategist Scott Peng raised similar questions, writing that "Libor at times no longer represents the level at which banks extend loans to others."

47. On April 17, 2008, just days after the Journal published its analysis, there was a sudden jump in the U.S. dollar-denominated LIBOR. The benchmark dollar rate for three-month borrowing hit 2.1875% Thursday, or about .08 percentage points more than the 2.735% rate set on Wednesday.

48. Suspiciously, reported LIBOR rates for other currencies fell or remained relatively flat at the time the U.S. dollar LIBOR surged, a sign that the U.S. dollar LIBOR rate was susceptible to manipulation.

49. Notably, the significant move in the U.S. dollar-denominated LIBOR closely followed the BBA's announcement that it was accelerating its inquiry into the daily borrowing rates that banks provide to establish LIBOR rate.

50. The BBA's decision to speed up its inquiry was made in response to concerns expressed by bankers and the financial media that certain panel banks were not accurately reporting the rates they were paying for short-term loans.

51. In a note to clients the day after LIBOR surged, UBS strategist William O'Donnell suggested that the panel banks were responding to the heightened scrutiny, noting that

the BBA's announcement of its inquiry was an attempt "to bring publicly posted rates back into line with the shadow interbank money rate market."

52. At the time, William Porter, credit strategist at Credit Suisse, said he believed the three-month U.S. dollar LIBOR was .4 percentage points below where it should be. That echoed the view of Scott Peng, who concluded that LIBOR understated panel banks' true borrowing costs by as much as .3 percentage points.

B. Empirical Evidence Confirms Defendants' Manipulative and Conspiratorial Conduct

53. One of the unique characteristics of LIBOR's calculation is its opaqueness. The method for LIBOR calculation is only transparent to the extent that each panel bank reports to Reuters its borrowing rate and Reuters publicizes the rates and computes LIBOR. The internal calculations and methodology of the panel banks in determining their borrowing rates are unobservable to the public. This renders LIBOR susceptible to manipulation by Defendants. Since LIBOR is the basis for a large number of daily financial transactions, comparisons to observable market rates have historically been monitored.

54. In reaction to the media reports of LIBOR manipulation, various empirical studies have demonstrated that the aberrant behavior of LIBOR during the Class Period is suggestive of collective agreement amongst Defendants to manipulate and suppress LIBOR. During the Class Period, LIBOR deviated dramatically from its historic relationships with other economic indicators. This sudden and dramatic variation is consistent with the fact that LIBOR was in fact being manipulated by Defendants, as opposed to accurately reporting market characteristics.

1. LIBOR Diverges From Its Historical Relationship With The Eurodollar

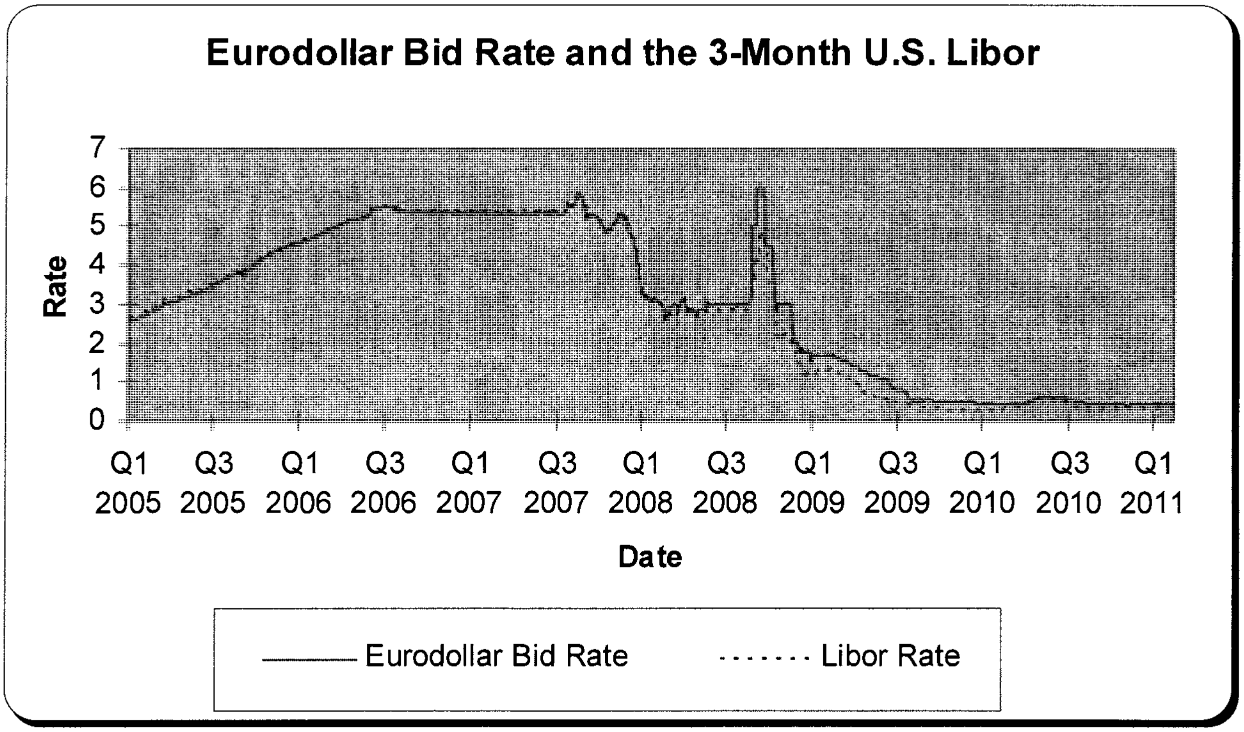
55. The U.S. dollar LIBOR, in effect, measures the interest rate offered to panel banks to borrow U.S. dollar deposits, also known as Eurodollars. Eurodollars are also traded in

the market, and the market rate for Eurodollars is commonly seen as the best market proxy for LIBOR. An analysis conducted by Connan Snider, a Professor at UCLA and Thomas Youle, emphasized that, prior to August 2007, the previous day's Eurodollar bid rate was a better predictor of LIBOR than the previous days LIBOR.

56. Historically, the difference between LIBOR and Eurodollar rate, known as LIBOR/Eurodollar spread (effectively LIBOR minus the Eurodollar bid rate), average 2.75 basis points.[1] The spread was almost always positive, meaning the Eurodollar rate was slightly lower, reflecting the measurement of LIBOR as an offer rate and the Eurodollar rate as a bid rate on U.S. dollar deposits. After August 2007, Defendants' manipulation and suppression of LIBOR resulted in a decoupling of LIBOR and the Eurodollar rate, and a reversal of the relationship so that the spread was negative. In the post manipulation period, the average spread was -24.70 basis points.

57. Even more indicative of Defendants' manipulation was that after August 2007, LIBOR/Eurodollar spread became strongly negative as opposed to the historical mildly positive relationship, as illustrated by the chart below. This change in the historical relationship is evidence of the downward manipulation of LIBOR. In some cases, LIBOR was 15 to 20 basis points lower than the Eurodollar market rate. In effect, LIBOR reported that banks were offering Eurodollars at a rate lower than market participants were actually buying them, a result that strongly indicates Defendants' manipulation of LIBOR.

[1] A "basis point" is a term commonly used to measure a financial instrument, interest rates. A basis point is equal to 1/100th of 1%. It is a commonly used term of measurement for financial instruments because daily rate changes are typically smaller than 1 percent, though small changes have huge financial effects.



58. When Snider and Youle performed the identical analysis for the period after August 2007, they found that the previous day's Eurodollar rate had less predictive power on LIBOR. In fact, as LIBOR dropped below the Eurodollar rate, the previous day's LIBOR became a better predictor of the current LIBOR. This demonstrates that LIBOR was no longer responding to market forces, but instead was the product of Defendants' manipulation.

2. LIBOR Diverges From Its Historical Relationship With Credit Default Swaps

59. A credit default swap ("CDS") is a swap contract and agreement in which the protection buyer of the CDS makes a series of payments (often referred to as the CDS "fee" or "spread") to the protection seller and, in exchange, receives a payment if the underlying credit instrument (typically a bond or loan) experiences a credit event. The spread serves as a measure of the perceived risk of default by the entity issuing the underlying bond or receiving the loan. The greater the risk of default on the underlying bond or loan, the greater the spread. In the case

of a CDS whose underlying instrument is an interbank loan in which a panel bank is the borrower, the greater the perceived risk that the panel bank will default on the loan, the higher its CDS spread.

60. CDSs are a useful benchmark for LIBOR because both CDSs and LIBOR are a measure of perceived credit risks. On May 29, 2008, Carrick Mollenkamp and Mark Whitehouse ("Mollenkamp and Whitehouse") published an article in the Journal, emphasizing significant disparities between certain panel banks' perceived risk in the CDS market and their LIBOR reporting. A higher CDS spread is indicative of a larger perceived risk in lending to an institution because it represents the cost of insuring against a default on that loan.

61. In their analysis, which followed Mollenkamp and Whitehouse, Snider and Youle performed two separate comparisons between LIBOR and CDSs to highlight inconsistencies in LIBOR reporting. First, they noted that a specific reporting bank may have a comparatively higher CDS spread than a second reporting bank (and therefore be perceived as comparatively "riskier"), while simultaneously having a lower LIBOR than the same bank (which would indicate that it is perceived as a "less risky" investment). For example, Citigroup consistently has a substantially higher CDS spread than the Bank of Tokyo – Mitsubishi, yet Citigroup reported comparatively lower LIBOR quotes. Mollenkamp and Whitehouse also noted the same pattern.

C. Inconsistencies With LIBOR Reporting By Individual Banks

62. A close examination of the borrowing rates reported by Defendants to Reuters for calculation of LIBOR during the Class period and each bank's incentive to manipulate LIBOR further evidences Defendants' conspiracy to manipulate and suppress LIBOR. For example, Alexandre Harthieser of ESCP Europe and Natixis Bank and Phillippe K. Spieser, Professor of

Finance at ESCP Europe, performed clustering analysis on the panel members' individual reporting and concluded that "a suspect cartel has been identified."

1. Panel Banks Report Inconsistent Rates Across Currencies

63. Panel Banks report LIBOR across different currencies each day. Since LIBOR is a measure of a bank's stability as an institution, absent manipulation, the comparative ranking of panel banks should largely be the same across different currencies (allowing for the variation in panel composition across currencies). A comparison of LIBOR across different currencies shows this is not consistently so.

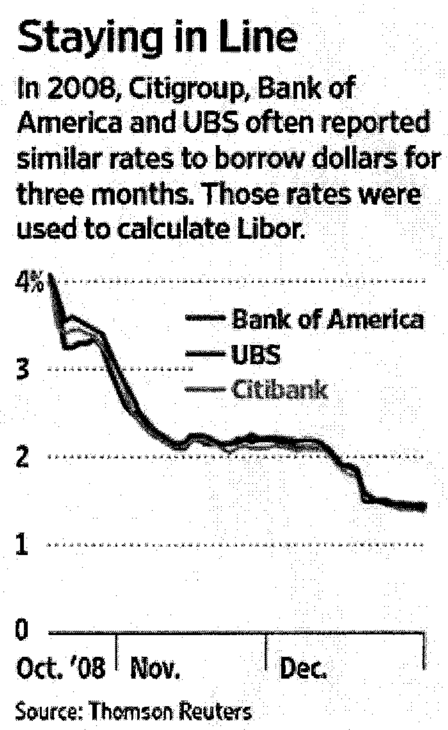
64. For example, Bank of America and Bank of Tokyo-Mitsubishi both report rates to Reuters for calculation of the U.S. dollar and Yen LIBOR. Over the manipulation period, it was common for Bank of America to simultaneously quote a lower rate than Bank of Tokyo-Mitsubishi in U.S. dollar LIBOR and a higher quote in the Yen LIBOR. Since institutional risk should be the same for each panel bank regardless of the what currency it is measured in, this indicates that the rates being reported do not accurately reflect market conditions and are an indication of manipulation.

2. Bunching

65. Throughout the Class Period, the rates reported by certain Defendants "bunch" around the fourth lowest quote each day. That is to say that the rates reported by those Defendants to Reuters were consistently near the fourth lowest of the 16 panel banks. Since Reuters, at the time, calculated LIBOR by removing the lowest (and highest) four reported rates everyday, bunching around the fourth lowest rate is suggestive that those Defendants collectively acted and colluded to suppress and manipulate LIBOR.

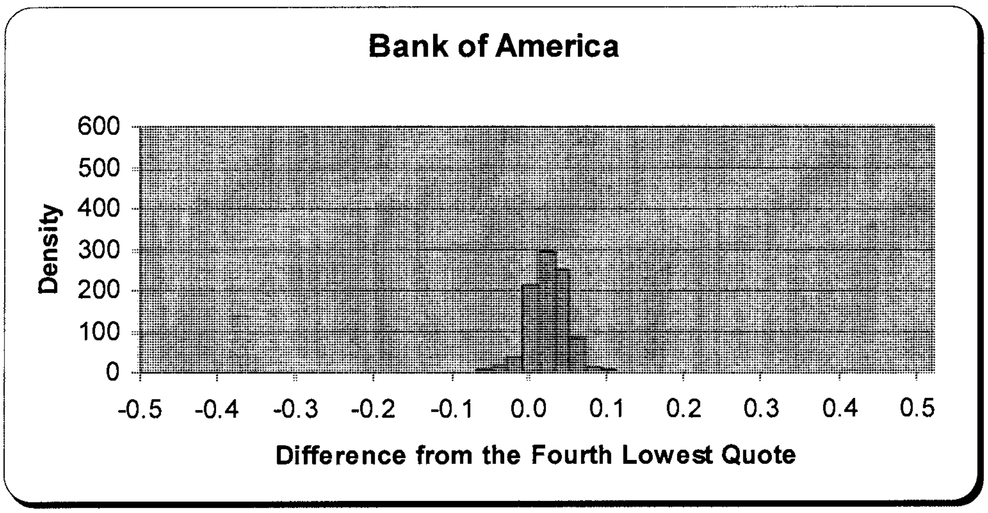
66. As an initial matter, bunching among Defendants' reported rates demonstrates that Defendants intended to report the same or similar rates. The individual variation between

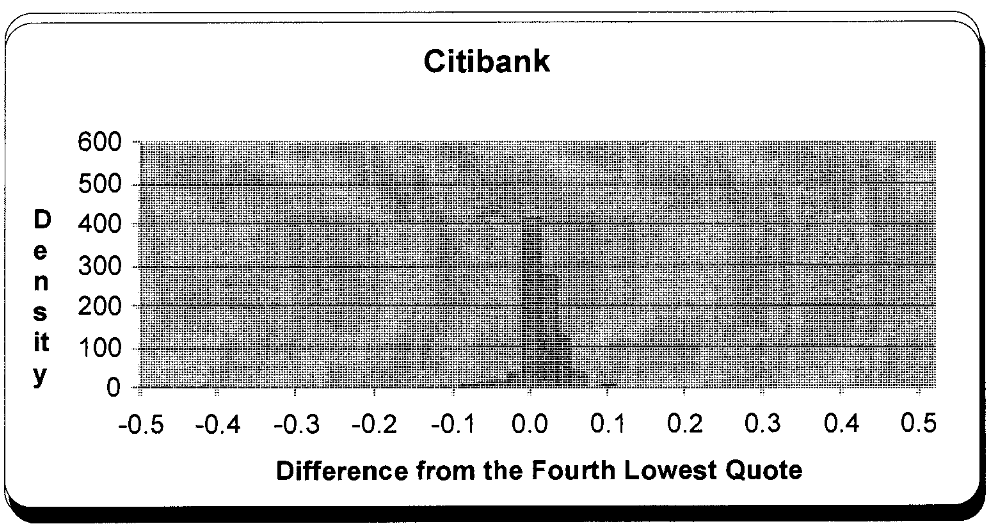
the financial situation of each reporting bank should lead to differences in the reported rates. The fact that, throughout the Class Period, Defendants repeatedly reported identical rates to Reuters is an indication that the Defendants were conspiring to manipulate LIBOR. The chart below, for example, indicates that, in late 2008, Bank of America, UBS and Citibank reported nearly identical rates to borrow dollars for three months.



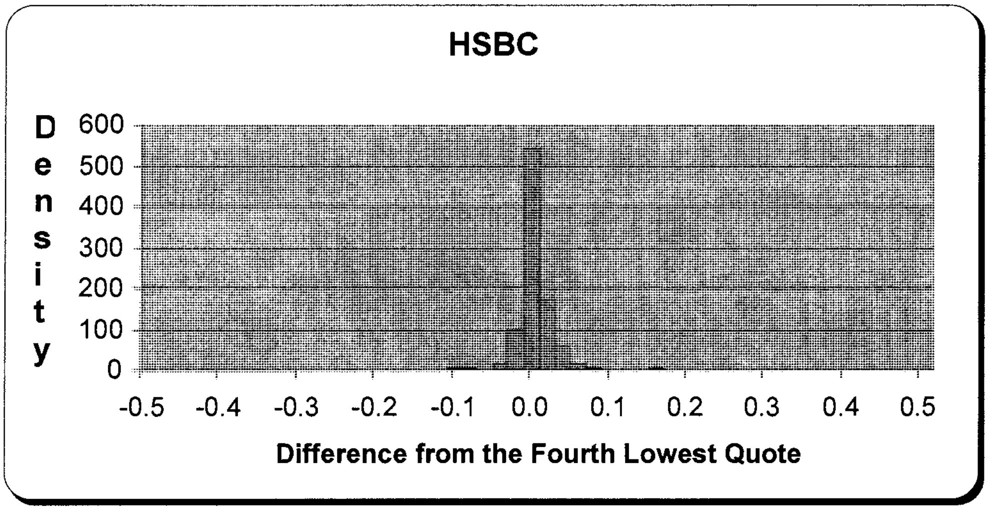
67. Further, certain Defendants' consistent bunching of their reported rates at or near the fourth lowest position is suggestive of their intent to artificially suppress LIBOR. This is because the fifth lowest quote is the lowest quote that is included by Reuters in calculating the day's LIBOR. Defendants' clustering at or near the fourth lowest rate ensures that the artificially low rates reported by Defendants will be included in the BBA's daily calculation resulting in the artificial suppression of LIBOR.

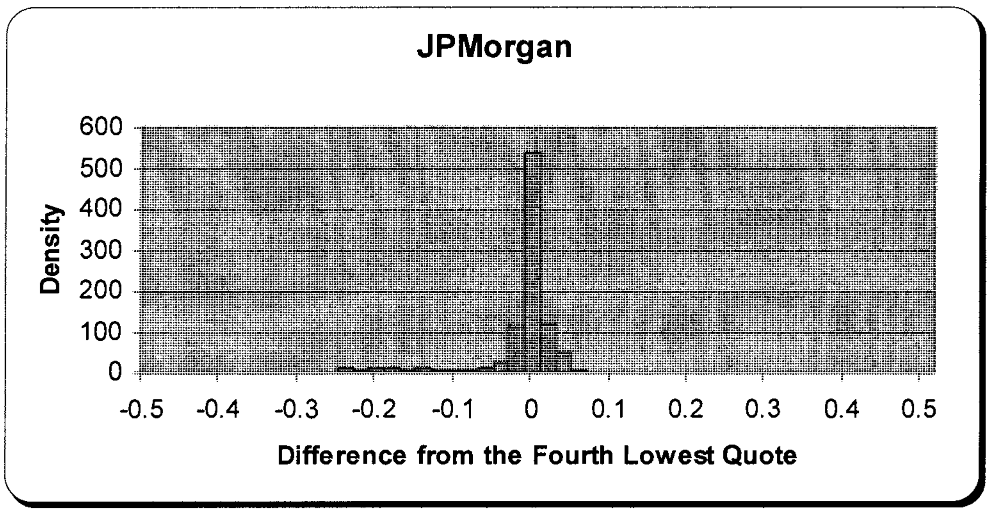
68. The following charts of daily U.S. dollar LIBOR reported rates show the frequency with which Defendants Bank of America, Citibank, HSBC, and JP Morgan reported within a given percentage rate from the 4th lowest quote. A negative difference means that they were below the 4th lowest quote, and therefore not included in the daily LIBOR calculation. Zero difference means that they either were the 4th lowest quote on a given day or tied at the same value as the 4th lowest quote.[2]





[2] If there is a tie between LIBOR quotes on a given day, one of the banks' quotes is discarded at random.





69. While bunching is reflective of Defendants' intention to report the lowest borrowing rate to be calculated by Reuters, *i.e.*, the fifth lowest borrowing rate, this does not suggest that the panel banks reporting the four lowest quotes (quotes that are discarded by Reuters) are not members of the conspiracy. Due to the mechanics of LIBOR calculation, there will always be discounted outliers. If all of the panel banks reported the same low rate, the lowest four would always be discounted. Therefore by bunching quoted rates around the 4th lowest rate, the panel banks ensured the maximum downward manipulation.

3. Defendants Had Significant Incentives to Manipulate LIBOR

70. Defendants held significant financial positions in LIBOR-Based Derivatives, such as in exchange-traded futures contracts and in over-the-counter Interest Rate Swaps, providing them incentive to suppress LIBOR. Defendants' positions in Interest Rate Swaps, for example, were so large throughout the Class Period, that even a small unhedged exposure to LIBOR-Based Derivatives would create enormous financial incentives for Defendants to manipulate LIBOR. Furthermore, when LIBOR experienced a significant drop in Q1 2009, Defendants reaped billions of dollars in profits. It was no accident that Defendants experienced sharply increased profits in their Interest Rate Swap positions at the time LIBOR fell – Defendants purposely took positions in Interest Rate Swaps, which benefited from their suppression of LIBOR. Upon information and belief, throughout the Class Period, Defendants' manipulation and suppression of LIBOR benefited their other LIBOR-Based derivative positions as well.

71. As a result of these incentives Defendants' trading positions came to dominate their reporting obligations to the BBA. A Financial Times article reports, for example, that Barclays is currently under investigation by the regulatory authorities of the United States and the United Kingdom for violating "Chinese Wall" rules which restrict information sharing between different parts of the bank. Barclays' treasury department submits its daily borrowing costs to the BBA and is walled-off from its traders. Barclays is being investigated regarding communications between its traders and its treasury department which improperly influenced the daily submission process.

III. Governmental Investigations

72. Defendants' conspiracy to manipulate and make artificial LIBOR-Based Derivatives during the Class Period has spurred investigations by numerous government regulatory agencies into the reporting practices of various banks on the U.S. dollar panel.

73. The regulatory investigations were first publicly disclosed on March 15, 2011, when UBS disclosed in its annual report that it had received subpoenas from the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the United States Department of Justice, as well as an information request from the Japanese Financial Supervisory Agency, relating to its reporting of lending rates to Reuters for calculation of LIBOR. UBS's disclosure states that the focus of the investigations is "whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate LIBOR at certain times." Other Defendants have subsequently disclosed that they are subject to investigation by regulatory authorities related to LIBOR. On August 1, 2011, for example, HSBC released its 2011 Interim Results and Barclays released its Half-Yearly Report in the United Kingdom, each disclosing that they were under investigation by various regulatory authorities around the World. Barclays specifically identified investigations by the United Kingdom Financial Services Authority, the Commodity Futures Trading Commission, the Securities and Exchange Commission, the Department of Justice Fraud Section of the Criminal Division and Antitrust Division' and the European Commission. The Journal has reported that the investigators are looking into whether the banks effectively formed a global cartel and coordinated how to report borrowing costs between 2006 and 2008.

74. A Financial Times article published the same day as UBS's disclosure reported that the three U.S. agencies the Japanese Financial Supervisory Agency and the United Kingdom's Financial Services Authority had also requested information, and had begun interviewing witnesses, connected to Defendants for several months.

75. On July 26, 2011, the Financial Times reported that investigators had expanded their probe to include yen-based LIBOR and the Tokyo interbank offered rate ("TIBOR"). In its

results announcement made that day, UBS confirmed that the investigation's scope had widened and disclosed that it had received "conditional leniency and conditional immunity" from the United States Department of Justice for turning over information on the setting of yen-based LIBOR and of the Tokyo interbank offered rate ("TIBOR"). UBS said that while its immunity stretched to the yen-based LIBOR and the TIBOR the deal did not bar the Department of Justice or other "government agencies from asserting other claims against us". The Antitrust Division's leniency policies were established for corporations and individuals "reporting their illegal antitrust activity" and the policies protect leniency recipients from criminal conviction. Notably, each of the Defendants from 2006 to 2009 were members of the yen-based LIBOR panel.

76. Latham & Watkins LLP has observed that the coordinated antitrust investigations in the United States, EU, UK, and Japan indicate that the enforcers are cooperating with each other and that the antitrust investigations may have been triggered by one of the banks taking advantage of the Antitrust Division's Corporate Leniency Policy, as well as other leniency policies around the globe.

FRAUDULENT CONCEALMENT

77. By its very nature, the unlawful activity, as alleged herein, that Defendants engaged in was self-concealing. Defendants, *inter alia*, conspired and engaged in secret and surreptitious activities in order to manipulate LIBOR.

78. Defendants fraudulently concealed their participation in their conspiracy to manipulate LIBOR by, among other things, engaging in secret meetings and communications in furtherance of the conspiracies. Because of such fraudulent concealment, and the fact that a conspiracy in restraint of trade is inherently self-concealing, Plaintiff and the members of the

Class could not have discovered the existence of Defendants' conspiracy and manipulation any earlier than public disclosures thereof.

79. Defendants agreed among themselves not to discuss publicly or otherwise reveal the nature and substance of the acts and communications in furtherance of their illegal conspiracy and manipulation.

80. Defendants' actions in fraudulently concealing their illegal conspiracy caused the BBA, the organization that owns and administers LIBOR, to issue a number of statements defending the integrity of LIBOR.

81. For instance, in a statement issued in May 2008, in response to published reports suggesting that Defendants had artificially suppressed LIBOR as evidenced by the decoupling of LIBOR from the CDS market, a BBA spokeswoman announced that there was "no indication" that the default-insurance market provides a more accurate picture of banks' borrowing costs than LIBOR.

82. In June 2009, John Ewan, director of the BBA, represented that LIBOR was "not a false signal to the markets." Even as recently as March 2011, in response to UBS's disclosure that it was the subject of government investigations in connection with Defendants' suppression of LIBOR, the BBA issued a statement characterizing LIBOR as an "accurate and reliable benchmark[]."

83. Plaintiff and members of the Class were lulled into believing that the returns on their LIBOR-Based Derivatives were the result of market conditions, rather than the product of Defendants' manipulation and collusive activities.

84. Because of Defendants' active steps, including fraudulent concealment of their conspiracy to prevent Plaintiffs and members of the Classes from suing them for the

anticompetitive activities alleged in this Complaint, Defendants are equitably estopped from asserting that any otherwise applicable limitations period has run.

DEFENDANTS' ANTITRUST VIOLATIONS

85. Beginning at least as early as August 1, 2007, and continuing until at least the date of the filing of the Complaint, the exact dates being unknown to Plaintiff, Defendants and their co-conspirators engaged in a continuing agreement, understanding, or conspiracy in restraint of trade to artificially fix, maintain, suppress and stabilize LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them.

86. In formulating and effectuating the contract, combination, or conspiracy, Defendants and their co-conspirators engaged in anticompetitive activities, the purpose and effect of which were to fix, maintain, suppress and otherwise make artificial the price of LIBOR-Based Derivatives. These activities included the following:

(a) Defendants participated in meetings and/or conversations to unlawfully discuss their reporting of their borrowing rates to Reuters for calculation of the daily LIBOR;

(b) Defendants agreed during those meetings and conversations to unlawfully report their borrowing rates to Reuters for calculation of LIBOR in order to drive down LIBOR and otherwise to depress or make artificial LIBOR;

(c) Defendants signaled to one another their intention to depress or otherwise make artificial LIBOR and colluded with one another in achieving this unlawful and anticompetitive purpose; and

(d) Pursuant to such an unlawful conspiracy in restraint of trade, Defendants knowingly and collusively traded in order to depress or otherwise make artificial the price of LIBOR-Based Derivatives.

ALLEGATIONS OF ANTITRUST INJURY TO PLAINTIFF AND THE CLASS

87. Defendants' anticompetitive conduct had severe adverse consequences on competition in that Plaintiff and other members of the Class who traded in LIBOR-Based Derivatives during the Class Period were trading at artificially determined prices that were made artificial as a result of Defendants' unlawful conduct. As a consequence thereof, Plaintiff and the Class suffered financial losses and were, therefore, injured in their business or property.

COUNT ONE

VIOLATIONS OF SECTION 1 OF THE SHERMAN ACT

88. Plaintiff incorporates by reference the preceding allegations.

89. Defendants and their unnamed co-conspirators entered into and engaged in a conspiracy in unreasonable restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act.

90. During the Class Period, Defendants controlled what LIBOR rate would be reported and therefore controlled the rates of return on LIBOR-Based Derivatives sold by them.

91. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained, suppressed and stabilized LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them. Defendants' conspiracy is a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade and commerce.

92. Defendants' conspiracy, and resulting impact on the market for LIBOR-Based Derivatives, occurred in or affected interstate and foreign commerce.

93. As a proximate result of Defendants' unlawful conduct, Plaintiff and members of the Class have suffered injury to their business or property.

94. Plaintiff and members of the Class are each entitled to treble damages for the violations of the Sherman Act alleged herein.

COUNT TWO

UNJUST ENRICHMENT AND RESTITUTION

95. Plaintiff incorporates by reference the preceding allegations.

96. It would be inequitable for Defendants to be permitted to retain the benefit which Defendants obtained from their manipulative acts and at the expense of Plaintiff and members of the Class.

97. Plaintiff and members of the Class are entitled to the establishment of a constructive trust impressed on the benefits to Defendants from their unjust enrichment and inequitable conduct.

98. Alternatively or additionally each Defendant should pay restitution or its own unjust enrichment to Plaintiff and members of the Class.

RELIEF SOUGHT

Accordingly, Plaintiff demands relief as follows:

A. That the Court determine that this action may be maintained as a class action under Rule 23(b)(3) of the Federal Rules of Civil Procedure, that Plaintiff be appointed as class representative, and that Plaintiff's counsel be appointed as counsel for the Class;

B. That the unlawful conduct alleged herein be adjudged and decreed to be an unlawful restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act;

C. That Defendants, their subsidiaries, affiliates, successors, transferees, assignees and the respective officers, directors, partners, agents, and employees and all other persons acting or claiming to act on their behalf, be permanently enjoined and restrained from continuing and maintaining the conspiracy alleged in the Complaint;

D. That Plaintiff and the Class recover damages, as provided under federal antitrust laws, and that a joint and several judgment in favor of Plaintiff and the Class be entered against Defendants in an amount to be trebled in accordance with such laws;

E. That Plaintiff and the Class recover their costs of the suit, including attorneys' fees, as provided by law; and

F. That the Court direct such further relief it may deem just and proper.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38(a) of the Federal Rules of Civil Procedure, Plaintiff demands a jury trial as to all issues triable by a jury.

Dated: August 3, 2011

Respectfully submitted,

Arun Subramanian
William Christopher Carmody
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Ralph J. Bunche
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Washington, D.C. 20006
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Counsel for Plaintiff and the Proposed Class

Re: LIBOR and the GSEs

Item ID:	31759
From:	Sciacca, Christie <Christie.Sciacca@fhfa.gov>
To:	Timothy Lee <Timothy.Lee@fhfaoig.gov>
Subject:	Re: LIBOR and the GSEs
Sent:	September 6, 2012 5:07 PM
Received:	September 6, 2012 5:07 PM

Tim Thank you Christie

From : Timothy Lee

Sent : Thursday, September 06, 2012 04:34 PM To : Nichols, Nina; Greenlee, Jon; Cross, Stephen; Graham, Fred C.; Sciacca, Christie

Subject : LIBOR and the GSEs

Hi Jon, Steve, Fred, Christie and Nina,

Following up from our meeting, please find several files attached as additional background.

.

The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprises' net "receive floating" interest rate swaps positions, relative to the "fair" amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge (b) (5) [redacted]

.

The Baltimore LIBOR complaint is also attached; it defines "Class" on page 5, paragraph 23 (b) (5) [redacted] They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an

hour. I will be pleased to make the introduction over the phone.
Tim

Timothy Lee
Senior Policy Advisor, FHFA-OIG
202-730-2821

FW: LIBOR and the GSEs

Item ID:	31762
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Millman, Phillip <Phillip.Millman@fhfa.gov>, manoj.singh@fhfa.gov <manoj.singh@fhfa.gov>
Subject:	FW: LIBOR and the GSEs
Sent:	September 7, 2012 9:08 AM
Received:	September 7, 2012 9:08 AM

Hi gentlemen, Thought you might appreciate this as background. I highlight for you two a couple of things that you might find interesting. Tim From: Lee, Timothy Sent: Thursday, September 06, 2012 4:34 PM To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov); stephen.cross@fhfa.gov; fred.graham@fhfa.gov; Sciacca, Christie (Christie.Sciacca@fhfa.gov) Subject: LIBOR and the GSEs Hi Jon, Steve, Fred, Christie and Nina, Following up from our meeting, please find several files attached as additional background. · The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprises' net "receive floating" interest rate swaps positions, relative to the "fair" amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge [redacted] (b) (5) . · The Baltimore LIBOR complaint is also attached; it defines "Class" on page 5, paragraph 23. [redacted] (b) (5) . They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1

LIBOR proposal.xlsx

Original view

2 pages (displayed on pages 3 to 4)

Cash Flow Shortfall from LIBOR Suppression
Enterprises Interest Rate Swaps
dollars in millions

Swap Notic	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10
Fannie Mae							
Pay Fixed S	546,916	620,850	650,447	435,693	382,600	315,857	317,259
Less: Recei	451,081	549,823	571,802	340,384	275,417	229,293	234,901
Plus: Basis	24,560	19,815	22,200	11,000	3,225	3,220	3,020
Net Receiv	120,395	90,842	100,845	106,309	110,408	89,784	85,378
Freddie Mac							
Less: Rece	266,685	336,207	284,244	320,458	271,403	255,940	349,545
Plus: Pay F	404,359	342,747	401,904	414,776	382,259	382,145	386,194
Plus: Basis Swaps		82,090	51,065	51,615	52,045	54,070	53,910
Net Receiv	137,674	88,630	168,725	145,933	162,901	180,275	90,559
Enterprises							
Net Receiv	258,069	179,472	269,570	252,242	273,309	270,059	175,937
Swap Cash Flow Shortfall - Quarterly Totals							
0.10%	64.5	44.9	67.4	63.1	68.3	67.5	44.0
0.20%	129.0	89.7	134.8	126.1	136.7	135.0	88.0
0.30%	193.6	134.6	202.2	189.2	205.0	202.5	132.0
0.40%	258.1	179.5	269.6	252.2	273.3	270.1	175.9
Swap Cash Flow Shortfall - Cumulative							
0.10%	64.5	109.4	176.8	239.8	308.2	375.7	419.7
0.20%	129.0	218.8	353.6	479.7	616.3	751.4	839.3
0.30%	193.6	328.2	530.3	719.5	924.5	1,127.0	1,259.0
0.40%	258.1	437.5	707.1	959.4	1,232.7	1,502.7	1,678.7

30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	30-Jun-12
296,877	277,227	270,250	205,084	193,882	186,757	206,307	229,227
233,613	224,177	214,777	161,151	179,808	229,695	250,322	265,593
2,485	485	1,565	2,552	6,997	9,622	18,673	20,922
65,749	53,535	57,038	46,485	21,071	(33,316)	(25,342)	(15,444)
316,574	324,590	249,793	215,758	220,668	211,808	248,453	260,428
363,668	394,294	330,015	321,870	293,683	289,335	296,573	292,660
2,775	2,375	3,375	3,275	2,275	2,750	2,400	2,350
49,869	72,079	83,597	109,387	75,290	80,277	50,520	34,582
115,618	125,614	140,635	155,872	96,361	46,961	25,178	19,138
28.9	31.4	35.2	39.0	24.1	11.7	6.3	4.8
57.8	62.8	70.3	77.9	48.2	23.5	12.6	9.6
86.7	94.2	105.5	116.9	72.3	35.2	18.9	14.4
115.6	125.6	140.6	155.9	96.4	47.0	25.2	19.1
448.6	480.0	515.1	554.1	578.2	589.9	596.2	601.0
897.1	959.9	1,030.3	1,108.2	1,156.4	1,179.9	1,192.4	1,202.0
1,345.7	1,439.9	1,545.4	1,662.3	1,734.6	1,769.8	1,788.7	1,803.0
1,794.3	1,919.9	2,060.5	2,216.4	2,312.8	2,359.7	2,384.9	2,404.0

Attachment #2

LIBOR_Baltimore initial complaint.pdf

Original view

28 pages (displayed on pages 6 to 33)

11 CIV 5450

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

MAYOR AND CITY COUNCIL OF BALTIMORE, on behalf of itself and all others similarly situated,

Plaintiff,

vs.

BANK OF AMERICA CORPORATION; BARCLAYS BANK PLC; CITIBANK NA; HSBC HOLDINGS PLC; J.P. MORGAN CHASE & CO.; LLOYDS BANKING GROUP PLC; UBS AG; and WESTLB AG.,

Defendants.

Case No. _______________

CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL ANTITRUST LAWS

JURY TRIAL DEMANDED

Plaintiff Mayor and City Council of Baltimore ("Baltimore" or "Plaintiff"), on behalf of itself and all others similarly situated, brings this action against defendants Bank of America Corporation, Barclays Bank plc, Citibank NA, HSBC Holdings plc, JP Morgan Chase & Co., Lloyds Banking Group plc, UBS AG, and WestLB AG (collectively, "Defendants") and alleges as follows:

NATURE OF CLAIM

1. This action arises from Defendants' conspiracy to unlawfully manipulate the London Interbank Offered Rate for the U.S. dollar ("LIBOR") from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased, in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

2. As alleged herein, during the Class Period (defined below), Defendants conspired to and did suppress and manipulate LIBOR throughout the Class Period.

3. Owned and administered by the British Bankers Association ("BBA"), LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

4. Every morning by 11:10 a.m. London time, the individual banks on the U.S. dollar LIBOR panel send data to Thompson Reuters Group ("Reuters"), a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

5. Throughout the Class Period, Defendants were members of the U.S. dollar LIBOR panel. Pursuant to their illegal conspiracy, Defendants knowingly and purposely submitted borrowing rates to Reuters that were below their true borrowing costs in order to suppress and manipulate LIBOR.

6. Defendants devised and executed their scheme to manipulate LIBOR in order to benefit their financial positions. Throughout the Class Period, Defendants sold financial products which tied rates of return to LIBOR. By manipulating LIBOR, Defendants paid lower returns to customers who bought those financial products.

7. Defendants' manipulation of LIBOR directly caused and resulted in an artificially lower LIBOR during the Class Period.

8. Defendants' conspiracy to suppress LIBOR violates Section 1 of the Sherman Act, 15 U.S.C. § 1. Plaintiff and members of the Class suffered damages by purchasing directly from Defendants during the Class Period financial products that had rates of return tied to LIBOR ("LIBOR-Based Derivatives"), as more fully alleged herein.

JURISDICTION AND VENUE

9. This action arises under Section 1 of the Sherman Act, 15 U.S.C., § 1, and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

10. This Court has jurisdiction under 28 U.S.C. §§ 1331 and 1337 and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

11. Venue is proper in this District pursuant to Sections 4, 12 and 16 of the Clayton Act, 15 U.S.C. §§ 15, 22 and 26 and 28 U.S.C. § 1391(b), (c) and (d). One or more of the Defendants resided, transacted business, were found, or had agents in the District, a substantial part of the events giving rise to Plaintiff's claims arose in the District, and a substantial portion of the affected interstate trade and commerce described herein has been carried out in this District.

PARTIES

12. During the Class Period, Plaintiff Baltimore purchased tens of millions of dollars worth of Interest Rate Swaps directly from at least one Defendant in which the rate of return was tied to LIBOR and was injured as a result of Defendants' anticompetitive conduct.

13. Defendant Bank of America Corporation ("Bank of America") is a Delaware corporation headquartered in Charlotte, North Carolina. During the Class Period, Bank of America was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

14. Defendant Barclays Bank plc ("Barclays") is a British public limited company headquartered in London, England. During the Class Period, Barclays was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

15. Defendant Citibank NA ("Citibank") is a wholly-owned subsidiary of the United States financial services corporation Citigroup, Inc., which is headquartered in New York, New York. During the Class Period, Citibank was a member of the British Bankers' Associations' U.S. dollar LIBOR panel.

16. Defendant HSBC Holdings plc ("HSBC Holdings") is a United Kingdom public company with its corporate headquarters in London, England. During the Class Period, HSBC was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

17. Defendant J.P. Morgan Chase & Co. ("JP Morgan") is a Delaware financial holding company headquartered in New York, New York. During the Class Period, JP Morgan was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

18. Defendant Lloyds Banking Group plc ("Lloyds") is a United Kingdom public limited company with its corporate headquarters in London, England. Lloyds was formed in 2009 through the acquisition of HBOS plc ("HBOS") and Lloyds TSB Bank plc ("Lloyds TSB"). During the Class Period, both HBOS and Lloyds TSB were members of the British Bankers' Association's U.S. dollar LIBOR panel.

19. Defendant UBS AG ("UBS") is a Swiss company based in Basel and Zurich, Switzerland. During the Class Period, UBS was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

20. Defendant WestLB AG ("WestLB") is a German joint stock company headquartered in Dusseldorf, Germany. During the Class Period, WestLB was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

UNNAMED CO-CONSPIRATORS

21. Various other entities and individuals not named as Defendants in this Complaint participated as co-conspirators in the acts complained of, and performed acts and made statements which aided and abetted and was in furtherance of the unlawful conduct alleged herein.

THE RELEVANT MARKET

22. The relevant market is LIBOR-Based Derivatives sold directly by Defendants.

CLASS ACTION ALLEGATIONS

23. Plaintiff brings this action as a class action under Rules 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure, on behalf of itself and all others similarly situated. The "Class" is defined as:

> All persons or entities other than Defendants and their employees, affiliates, parents, subsidiaries or co-conspirators (whether or not named in this Complaint) who purchased LIBOR-Based Derivatives directly from Defendants, including their subsidiaries and/or affiliates, from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased.

24. The Class is so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time, Plaintiff is informed and

believes that at least thousands of geographically dispersed Class members purchased LIBOR-Based Derivatives directly from Defendants during the Class Period.

25. Plaintiff's claims are typical of the claims of the other members of the Class. Plaintiff and the members of the Class sustained damages arising out of Defendants' common course of conduct in violation of law as complained herein. The injuries and damages of each member of the Class were directly caused by Defendants' wrongful conduct in violation of the antitrust laws as alleged herein.

26. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class action litigation, including antitrust class action litigation.

27. Common questions of law and fact exist as to all members of the Class which predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether Defendants conspired with others to artificially suppress LIBOR in violation of the Sherman Act;

(b) Whether Defendants' conduct had an anticompetitive and manipulative effect on LIBOR during the Class Period;

(c) Whether Defendants' conduct negatively affected the rates of return of LIBOR-Based Derivatives purchased directly from the Defendants during the Class Period; and

(d) The appropriate measure of damages for the injury sustained by Plaintiff and other members of the Class as a result of Defendants' unlawful activities.

28. A class action is superior to other available methods for the fair and efficient adjudication of this controversy because joinder of all Class members is impracticable. The

prosecution of separate actions by individual members of the Class would impose heavy burdens upon the courts and Defendants, and would create a risk of inconsistent or varying adjudications of the questions of law and fact common to the Class. A class action, on the other hand, would achieve substantial economies of time, effort and expense, and would assure uniformity of decision as to persons similarly situated without sacrificing procedural fairness or bringing about other undesirable results.

29. The interest of members of the Class in individually controlling the prosecution of separate actions is theoretical rather than practical. The Class has a high degree of cohesion, and prosecution of the action through representatives would be unobjectionable. The amounts at stake for Class members, while substantial in the aggregate, are not great enough individually to enable them to maintain separate suits against Defendants. Plaintiff does not anticipate any difficulty in the management of this action as a class action.

FACTUAL ALLEGATIONS

I. Background

A. Overview of LIBOR

30. Administered and owned by the BBA, LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

31. Every morning by 11:10 a.m. London time, the individual banks on the U.S. Dollar LIBOR panel send data to Reuters, a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates

public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. Dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

B. LIBOR-Based Derivatives

32. LIBOR is the primary benchmark for short-term interest rates globally.

33. According to the BBA, "the objectivity and accuracy of the [LIBOR] rates allowed derivatives to be created based on the data as a reference, and this has flourished to become an enormously successful cornerstone of business transacted in London and worldwide."

34. The perceived integrity of LIBOR allows many derivative products to be priced based on LIBOR. About $350 trillion worth of financial products globally reference LIBOR. To the extent that LIBOR is mispriced, these derivatives are also mispriced.

II. Defendants Unlawfully Conspired to Suppress and Manipulate LIBOR

35. In August, 2007, LIBOR began behaving erratically. Overnight, LIBOR began a period in which it dramatically decoupled from other financial indicators that had historically functioned as benchmarks. Reports initially assumed that low liquidity and increased credit risk endemic to the financial crisis were the likely contributing factors to the aberrant behavior of LIBOR. Subsequent examination reflects that Defendants were conspiring to artificially manipulate LIBOR to the benefit of their LIBOR-Based Derivatives positions.

36. As set forth below, Defendants' conspiracy to manipulate LIBOR throughout the Class Period is evidenced by several forms of analysis. During the Class Period, LIBOR shattered its historical relationships with various economic benchmarks, signifying that it was no longer representative of external market forces and was a result of manipulation by the

Defendants. Additionally, LIBOR has been shown to respond to external criticism, demonstrating that it was intentionally manipulated by Defendants, as opposed to reflecting an objective report of market conditions.

37. An examination of Defendants' LIBOR quotes reveals inconsistencies among Defendants' reporting across currencies and on a day-to-day basis, which supports the fact that Defendants purposefully and collectively agreed to underreport their actual borrowing costs in order to artificially and unlawfully suppress LIBOR. In so doing, they reaped massive profits from their enormous LIBOR-Based Derivatives positions, which directly benefited from their artificial suppression of LIBOR.

A. The Defendants' Unlawful Manipulation Of LIBOR

38. On December 12, 2007, the day after the Federal Reserve cut short-term interest rates for the third time that year in an effort to help ease the credit crunch and reduce the chances of an impending recession, The Wall Street Journal ("Journal") published an article predicting that continued worry over the credit crisis would effectively keep LIBOR rates high, even as other short-term interest rates would continue to fall. In fact, the Journal quoted one mortgage banker as stating that historically, in times of credit crisis, LIBOR rates have tended to spike.

39. Despite the Journal's prediction, in the early months of 2008, during the most significant financial crisis since the great depression, U.S. dollar-denominated LIBOR rates submitted by panel banks did not vary markedly, nor did they increase or decrease sharply. This fact did not correspond to traditional market behavior because in times of severe uncertainty, banks would normally be reluctant to lend to one another on an unsecured basis without receiving a higher risk premium.

40. In a market not artificially manipulated, LIBOR rates should have increased significantly during this period. In addition, because different panel banks were experiencing

different levels of economic stress, the panel banks should have been reporting markedly different borrowing rates. None of this was reflected in LIBOR rates reported by Defendants.

41. On April 16, 2008, the Journal published an article detailing the findings of a three month study it conducted into the borrowing rates of the 16 banks forming the U.S. dollar LIBOR panel. The Journal concluded that a number of banks – specifically Citibank, WestLB, HBOS, JP Morgan and UBS – had been reporting significantly lower borrowing costs than what other market measures suggest they should have been reporting. The Journal attributed this disparity to certain panel banks intentionally understating their borrowing rates.

42. The Journal's examination of the borrowing costs submitted by the panel banks during the first four months of 2008 indicated that the panel banks reported remarkably similar borrowing rates despite the fact that the banks were facing different financial stresses. For the first four months of 2008, for example, the three-month borrowing rates reported by the panel banks remained, on average, within a range of only .06 of a percentage point.

43. According to Professor Darrell Duffie, a Stanford University finance professor, the reported rates during the first four months of 2008 "[were] far too similar to be believed."

44. David Juran, a statistics professor at Columbia University who reviewed the Journal's methodology, concluded that the Journal's calculations demonstrate "very convincingly" that reported LIBOR rates are lower than what the market thinks they should be by a factor which well surpassed the threshold statisticians use to assess the significance of a result.

45. Following the Journal's April 16, 2008 report that the panel banks may be intentionally understating their borrowing rates, the BBA announced it would review LIBOR reporting process and remove any bank found to be reporting inaccurate rates from the panel.

46. In November 2007 and again in April 2008, the money market committee of the Bank of England raised questions about the integrity of LIBOR. The minutes of the committee's November 2007 meeting stated that, "several group members thought that Libor fixings had been lower than actual traded interbank rates." Minutes from the April, 2008 committee meeting noted that "U.S. dollar Libor rates had at times appeared lower than actual traded interbank rates." Similarly, Citigroup interest-rate strategist Scott Peng raised similar questions, writing that "Libor at times no longer represents the level at which banks extend loans to others."

47. On April 17, 2008, just days after the Journal published its analysis, there was a sudden jump in the U.S. dollar-denominated LIBOR. The benchmark dollar rate for three-month borrowing hit 2.1875% Thursday, or about .08 percentage points more than the 2.735% rate set on Wednesday.

48. Suspiciously, reported LIBOR rates for other currencies fell or remained relatively flat at the time the U.S. dollar LIBOR surged, a sign that the U.S. dollar LIBOR rate was susceptible to manipulation.

49. Notably, the significant move in the U.S. dollar-denominated LIBOR closely followed the BBA's announcement that it was accelerating its inquiry into the daily borrowing rates that banks provide to establish LIBOR rate.

50. The BBA's decision to speed up its inquiry was made in response to concerns expressed by bankers and the financial media that certain panel banks were not accurately reporting the rates they were paying for short-term loans.

51. In a note to clients the day after LIBOR surged, UBS strategist William O'Donnell suggested that the panel banks were responding to the heightened scrutiny, noting that

the BBA's announcement of its inquiry was an attempt "to bring publicly posted rates back into line with the shadow interbank money rate market."

52. At the time, William Porter, credit strategist at Credit Suisse, said he believed the three-month U.S. dollar LIBOR was .4 percentage points below where it should be. That echoed the view of Scott Peng, who concluded that LIBOR understated panel banks' true borrowing costs by as much as .3 percentage points.

B. Empirical Evidence Confirms Defendants' Manipulative and Conspiratorial Conduct

53. One of the unique characteristics of LIBOR's calculation is its opaqueness. The method for LIBOR calculation is only transparent to the extent that each panel bank reports to Reuters its borrowing rate and Reuters publicizes the rates and computes LIBOR. The internal calculations and methodology of the panel banks in determining their borrowing rates are unobservable to the public. This renders LIBOR susceptible to manipulation by Defendants. Since LIBOR is the basis for a large number of daily financial transactions, comparisons to observable market rates have historically been monitored.

54. In reaction to the media reports of LIBOR manipulation, various empirical studies have demonstrated that the aberrant behavior of LIBOR during the Class Period is suggestive of collective agreement amongst Defendants to manipulate and suppress LIBOR. During the Class Period, LIBOR deviated dramatically from its historic relationships with other economic indicators. This sudden and dramatic variation is consistent with the fact that LIBOR was in fact being manipulated by Defendants, as opposed to accurately reporting market characteristics.

1. LIBOR Diverges From Its Historical Relationship With The Eurodollar

55. The U.S. dollar LIBOR, in effect, measures the interest rate offered to panel banks to borrow U.S. dollar deposits, also known as Eurodollars. Eurodollars are also traded in

the market, and the market rate for Eurodollars is commonly seen as the best market proxy for LIBOR. An analysis conducted by Connan Snider, a Professor at UCLA and Thomas Youle, emphasized that, prior to August 2007, the previous day's Eurodollar bid rate was a better predictor of LIBOR than the previous days LIBOR.

56. Historically, the difference between LIBOR and Eurodollar rate, known as LIBOR/Eurodollar spread (effectively LIBOR minus the Eurodollar bid rate), average 2.75 basis points.[1] The spread was almost always positive, meaning the Eurodollar rate was slightly lower, reflecting the measurement of LIBOR as an offer rate and the Eurodollar rate as a bid rate on U.S. dollar deposits. After August 2007, Defendants' manipulation and suppression of LIBOR resulted in a decoupling of LIBOR and the Eurodollar rate, and a reversal of the relationship so that the spread was negative. In the post manipulation period, the average spread was -24.70 basis points.

57. Even more indicative of Defendants' manipulation was that after August 2007, LIBOR/Eurodollar spread became strongly negative as opposed to the historical mildly positive relationship, as illustrated by the chart below. This change in the historical relationship is evidence of the downward manipulation of LIBOR. In some cases, LIBOR was 15 to 20 basis points lower than the Eurodollar market rate. In effect, LIBOR reported that banks were offering Eurodollars at a rate lower than market participants were actually buying them, a result that strongly indicates Defendants' manipulation of LIBOR.

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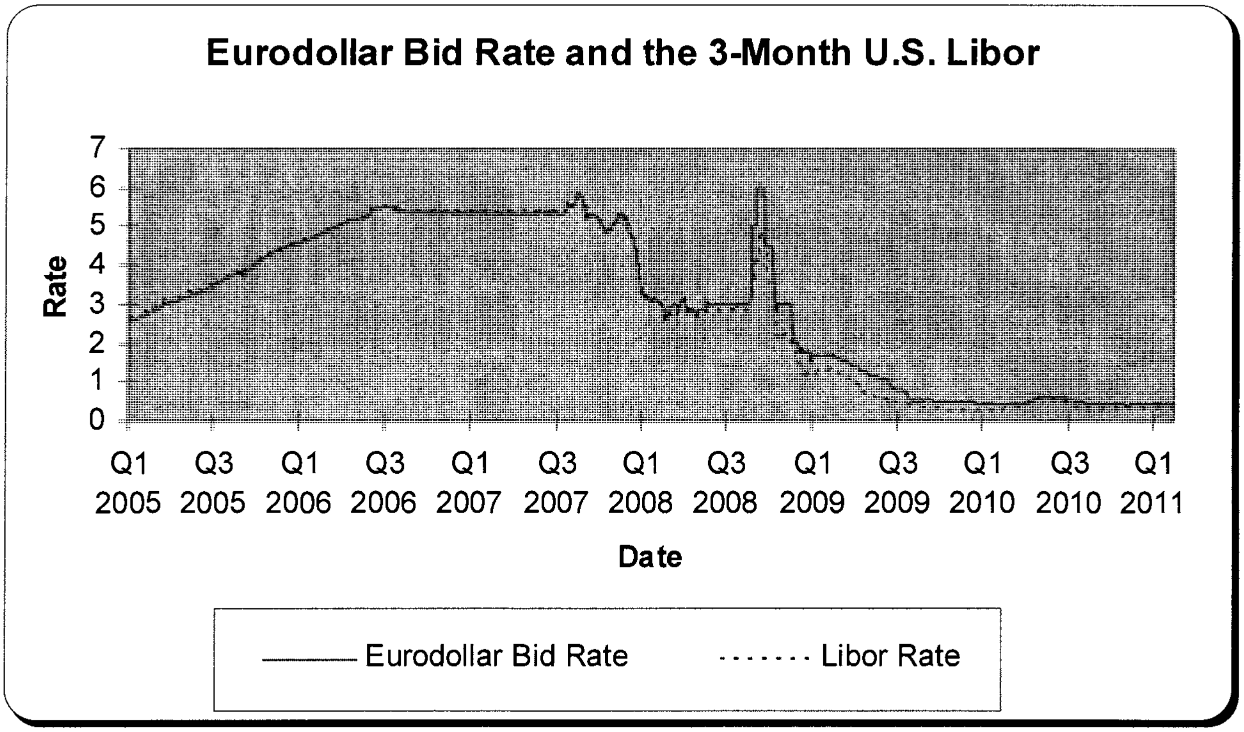
[1] A "basis point" is a term commonly used to measure a financial instrument, interest rates. A basis point is equal to 1/100th of 1%. It is a commonly used term of measurement for financial instruments because daily rate changes are typically smaller than 1 percent, though small changes have huge financial effects.



58. When Snider and Youle performed the identical analysis for the period after August 2007, they found that the previous day's Eurodollar rate had less predictive power on LIBOR. In fact, as LIBOR dropped below the Eurodollar rate, the previous day's LIBOR became a better predictor of the current LIBOR. This demonstrates that LIBOR was no longer responding to market forces, but instead was the product of Defendants' manipulation.

2. <u>LIBOR Diverges From Its Historical Relationship With Credit Default Swaps</u>

59. A credit default swap ("CDS") is a swap contract and agreement in which the protection buyer of the CDS makes a series of payments (often referred to as the CDS "fee" or "spread") to the protection seller and, in exchange, receives a payment if the underlying credit instrument (typically a bond or loan) experiences a credit event. The spread serves as a measure of the perceived risk of default by the entity issuing the underlying bond or receiving the loan. The greater the risk of default on the underlying bond or loan, the greater the spread. In the case

of a CDS whose underlying instrument is an interbank loan in which a panel bank is the borrower, the greater the perceived risk that the panel bank will default on the loan, the higher its CDS spread.

60. CDSs are a useful benchmark for LIBOR because both CDSs and LIBOR are a measure of perceived credit risks. On May 29, 2008, Carrick Mollenkamp and Mark Whitehouse ("Mollenkamp and Whitehouse") published an article in the Journal, emphasizing significant disparities between certain panel banks' perceived risk in the CDS market and their LIBOR reporting. A higher CDS spread is indicative of a larger perceived risk in lending to an institution because it represents the cost of insuring against a default on that loan.

61. In their analysis, which followed Mollenkamp and Whitehouse, Snider and Youle performed two separate comparisons between LIBOR and CDSs to highlight inconsistencies in LIBOR reporting. First, they noted that a specific reporting bank may have a comparatively higher CDS spread than a second reporting bank (and therefore be perceived as comparatively "riskier"), while simultaneously having a lower LIBOR than the same bank (which would indicate that it is perceived as a "less risky" investment). For example, Citigroup consistently has a substantially higher CDS spread than the Bank of Tokyo – Mitsubishi, yet Citigroup reported comparatively lower LIBOR quotes. Mollenkamp and Whitehouse also noted the same pattern.

C. Inconsistencies With LIBOR Reporting By Individual Banks

62. A close examination of the borrowing rates reported by Defendants to Reuters for calculation of LIBOR during the Class period and each bank's incentive to manipulate LIBOR further evidences Defendants' conspiracy to manipulate and suppress LIBOR. For example, Alexandre Harthieser of ESCP Europe and Natixis Bank and Phillippe K. Spieser, Professor of

Finance at ESCP Europe, performed clustering analysis on the panel members' individual reporting and concluded that "a suspect cartel has been identified."

1. Panel Banks Report Inconsistent Rates Across Currencies

63. Panel Banks report LIBOR across different currencies each day. Since LIBOR is a measure of a bank's stability as an institution, absent manipulation, the comparative ranking of panel banks should largely be the same across different currencies (allowing for the variation in panel composition across currencies). A comparison of LIBOR across different currencies shows this is not consistently so.

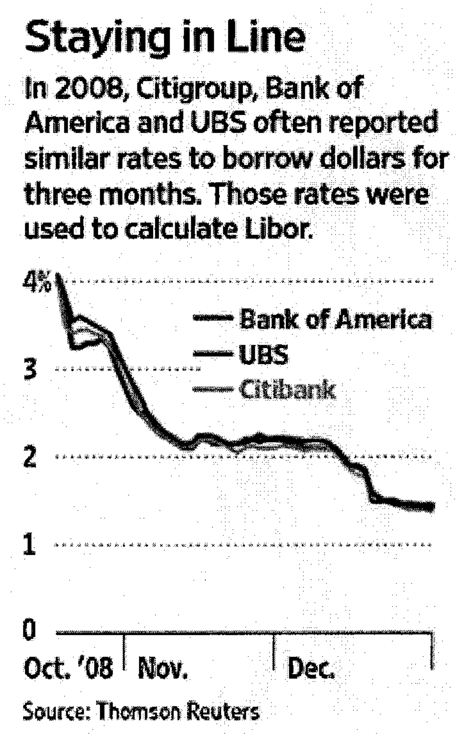
64. For example, Bank of America and Bank of Tokyo-Mitsubishi both report rates to Reuters for calculation of the U.S. dollar and Yen LIBOR. Over the manipulation period, it was common for Bank of America to simultaneously quote a lower rate than Bank of Tokyo-Mitsubishi in U.S. dollar LIBOR and a higher quote in the Yen LIBOR. Since institutional risk should be the same for each panel bank regardless of the what currency it is measured in, this indicates that the rates being reported do not accurately reflect market conditions and are an indication of manipulation.

2. Bunching

65. Throughout the Class Period, the rates reported by certain Defendants "bunch" around the fourth lowest quote each day. That is to say that the rates reported by those Defendants to Reuters were consistently near the fourth lowest of the 16 panel banks. Since Reuters, at the time, calculated LIBOR by removing the lowest (and highest) four reported rates everyday, bunching around the fourth lowest rate is suggestive that those Defendants collectively acted and colluded to suppress and manipulate LIBOR.

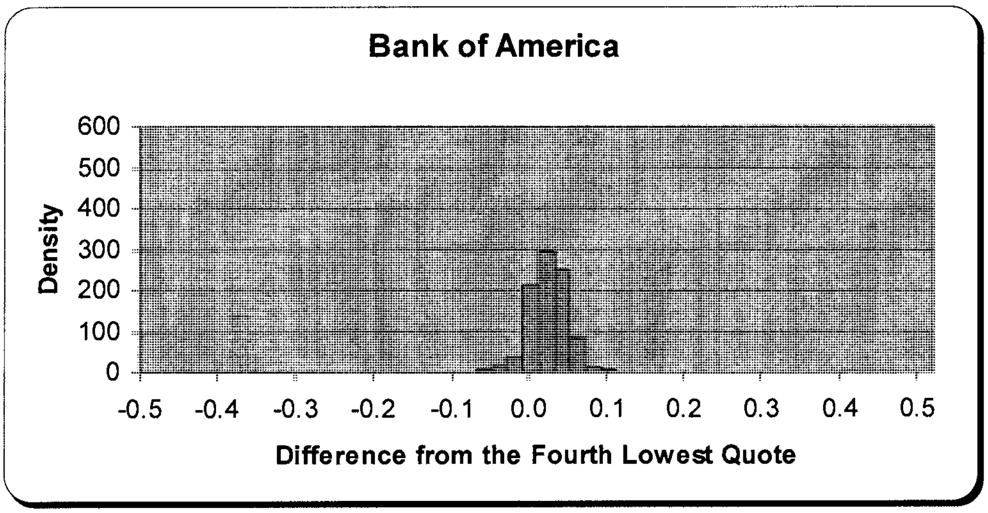
66. As an initial matter, bunching among Defendants' reported rates demonstrates that Defendants intended to report the same or similar rates. The individual variation between

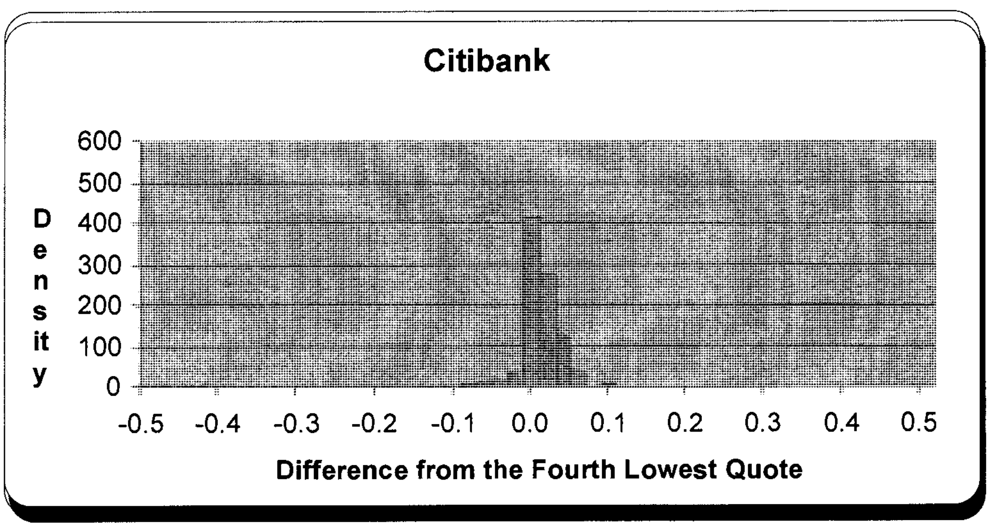
the financial situation of each reporting bank should lead to differences in the reported rates. The fact that, throughout the Class Period, Defendants repeatedly reported identical rates to Reuters is an indication that the Defendants were conspiring to manipulate LIBOR. The chart below, for example, indicates that, in late 2008, Bank of America, UBS and Citibank reported nearly identical rates to borrow dollars for three months.



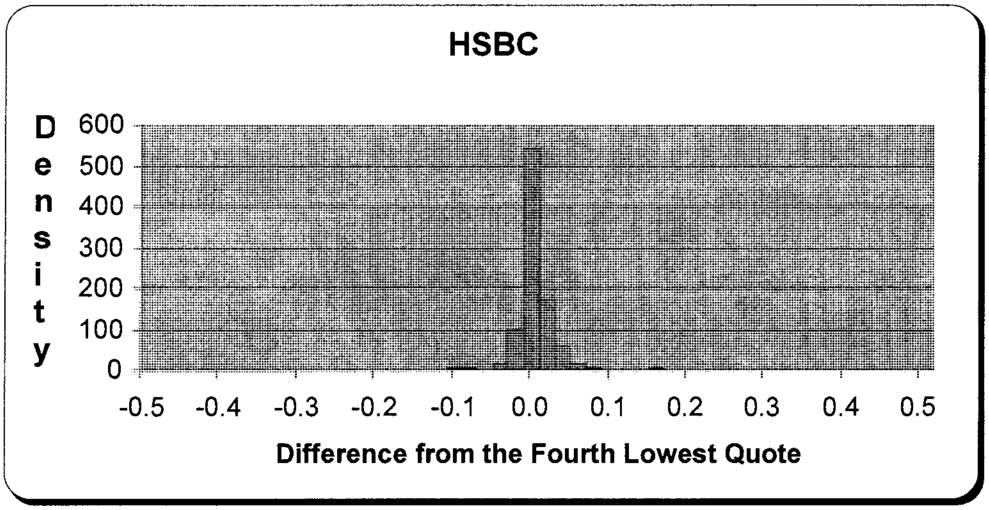
67. Further, certain Defendants' consistent bunching of their reported rates at or near the fourth lowest position is suggestive of their intent to artificially suppress LIBOR. This is because the fifth lowest quote is the lowest quote that is included by Reuters in calculating the day's LIBOR. Defendants' clustering at or near the fourth lowest rate ensures that the artificially low rates reported by Defendants will be included in the BBA's daily calculation resulting in the artificial suppression of LIBOR.

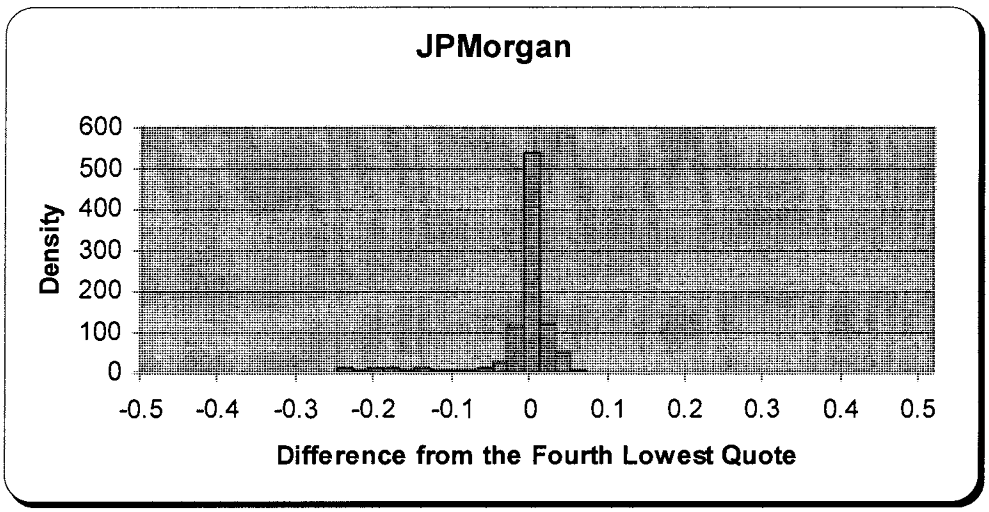
68. The following charts of daily U.S. dollar LIBOR reported rates show the frequency with which Defendants Bank of America, Citibank, HSBC, and JP Morgan reported within a given percentage rate from the 4th lowest quote. A negative difference means that they were below the 4th lowest quote, and therefore not included in the daily LIBOR calculation. Zero difference means that they either were the 4th lowest quote on a given day or tied at the same value as the 4th lowest quote.[2]





[2] If there is a tie between LIBOR quotes on a given day, one of the banks' quotes is discarded at random.





69. While bunching is reflective of Defendants' intention to report the lowest borrowing rate to be calculated by Reuters, *i.e.*, the fifth lowest borrowing rate, this does not suggest that the panel banks reporting the four lowest quotes (quotes that are discarded by Reuters) are not members of the conspiracy. Due to the mechanics of LIBOR calculation, there will always be discounted outliers. If all of the panel banks reported the same low rate, the lowest four would always be discounted. Therefore by bunching quoted rates around the 4th lowest rate, the panel banks ensured the maximum downward manipulation.

3. Defendants Had Significant Incentives to Manipulate LIBOR

70. Defendants held significant financial positions in LIBOR-Based Derivatives, such as in exchange-traded futures contracts and in over-the-counter Interest Rate Swaps, providing them incentive to suppress LIBOR. Defendants' positions in Interest Rate Swaps, for example, were so large throughout the Class Period, that even a small unhedged exposure to LIBOR-Based Derivatives would create enormous financial incentives for Defendants to manipulate LIBOR. Furthermore, when LIBOR experienced a significant drop in Q1 2009, Defendants reaped billions of dollars in profits. It was no accident that Defendants experienced sharply increased profits in their Interest Rate Swap positions at the time LIBOR fell – Defendants purposely took positions in Interest Rate Swaps, which benefited from their suppression of LIBOR. Upon information and belief, throughout the Class Period, Defendants' manipulation and suppression of LIBOR benefited their other LIBOR-Based derivative positions as well.

71. As a result of these incentives Defendants' trading positions came to dominate their reporting obligations to the BBA. A Financial Times article reports, for example, that Barclays is currently under investigation by the regulatory authorities of the United States and the United Kingdom for violating "Chinese Wall" rules which restrict information sharing between different parts of the bank. Barclays' treasury department submits its daily borrowing costs to the BBA and is walled-off from its traders. Barclays is being investigated regarding communications between its traders and its treasury department which improperly influenced the daily submission process.

III. Governmental Investigations

72. Defendants' conspiracy to manipulate and make artificial LIBOR-Based Derivatives during the Class Period has spurred investigations by numerous government regulatory agencies into the reporting practices of various banks on the U.S. dollar panel.

73. The regulatory investigations were first publicly disclosed on March 15, 2011, when UBS disclosed in its annual report that it had received subpoenas from the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the United States Department of Justice, as well as an information request from the Japanese Financial Supervisory Agency, relating to its reporting of lending rates to Reuters for calculation of LIBOR. UBS's disclosure states that the focus of the investigations is "whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate LIBOR at certain times." Other Defendants have subsequently disclosed that they are subject to investigation by regulatory authorities related to LIBOR. On August 1, 2011, for example, HSBC released its 2011 Interim Results and Barclays released its Half-Yearly Report in the United Kingdom, each disclosing that they were under investigation by various regulatory authorities around the World. Barclays specifically identified investigations by the United Kingdom Financial Services Authority, the Commodity Futures Trading Commission, the Securities and Exchange Commission, the Department of Justice Fraud Section of the Criminal Division and Antitrust Division' and the European Commission. The Journal has reported that the investigators are looking into whether the banks effectively formed a global cartel and coordinated how to report borrowing costs between 2006 and 2008.

74. A Financial Times article published the same day as UBS's disclosure reported that the three U.S. agencies the Japanese Financial Supervisory Agency and the United Kingdom's Financial Services Authority had also requested information, and had begun interviewing witnesses, connected to Defendants for several months.

75. On July 26, 2011, the Financial Times reported that investigators had expanded their probe to include yen-based LIBOR and the Tokyo interbank offered rate ("TIBOR"). In its

results announcement made that day, UBS confirmed that the investigation's scope had widened and disclosed that it had received "conditional leniency and conditional immunity" from the United States Department of Justice for turning over information on the setting of yen-based LIBOR and of the Tokyo interbank offered rate ("TIBOR"). UBS said that while its immunity stretched to the yen-based LIBOR and the TIBOR the deal did not bar the Department of Justice or other "government agencies from asserting other claims against us". The Antitrust Division's leniency policies were established for corporations and individuals "reporting their illegal antitrust activity" and the policies protect leniency recipients from criminal conviction. Notably, each of the Defendants from 2006 to 2009 were members of the yen-based LIBOR panel.

76. Latham & Watkins LLP has observed that the coordinated antitrust investigations in the United States, EU, UK, and Japan indicate that the enforcers are cooperating with each other and that the antitrust investigations may have been triggered by one of the banks taking advantage of the Antitrust Division's Corporate Leniency Policy, as well as other leniency policies around the globe.

FRAUDULENT CONCEALMENT

77. By its very nature, the unlawful activity, as alleged herein, that Defendants engaged in was self-concealing. Defendants, *inter alia*, conspired and engaged in secret and surreptitious activities in order to manipulate LIBOR.

78. Defendants fraudulently concealed their participation in their conspiracy to manipulate LIBOR by, among other things, engaging in secret meetings and communications in furtherance of the conspiracies. Because of such fraudulent concealment, and the fact that a conspiracy in restraint of trade is inherently self-concealing, Plaintiff and the members of the

Class could not have discovered the existence of Defendants' conspiracy and manipulation any earlier than public disclosures thereof.

79. Defendants agreed among themselves not to discuss publicly or otherwise reveal the nature and substance of the acts and communications in furtherance of their illegal conspiracy and manipulation.

80. Defendants' actions in fraudulently concealing their illegal conspiracy caused the BBA, the organization that owns and administers LIBOR, to issue a number of statements defending the integrity of LIBOR.

81. For instance, in a statement issued in May 2008, in response to published reports suggesting that Defendants had artificially suppressed LIBOR as evidenced by the decoupling of LIBOR from the CDS market, a BBA spokeswoman announced that there was "no indication" that the default-insurance market provides a more accurate picture of banks' borrowing costs than LIBOR.

82. In June 2009, John Ewan, director of the BBA, represented that LIBOR was "not a false signal to the markets." Even as recently as March 2011, in response to UBS's disclosure that it was the subject of government investigations in connection with Defendants' suppression of LIBOR, the BBA issued a statement characterizing LIBOR as an "accurate and reliable benchmark[]."

83. Plaintiff and members of the Class were lulled into believing that the returns on their LIBOR-Based Derivatives were the result of market conditions, rather than the product of Defendants' manipulation and collusive activities.

84. Because of Defendants' active steps, including fraudulent concealment of their conspiracy to prevent Plaintiffs and members of the Classes from suing them for the

anticompetitive activities alleged in this Complaint, Defendants are equitably estopped from asserting that any otherwise applicable limitations period has run.

DEFENDANTS' ANTITRUST VIOLATIONS

85. Beginning at least as early as August 1, 2007, and continuing until at least the date of the filing of the Complaint, the exact dates being unknown to Plaintiff, Defendants and their co-conspirators engaged in a continuing agreement, understanding, or conspiracy in restraint of trade to artificially fix, maintain, suppress and stabilize LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them.

86. In formulating and effectuating the contract, combination, or conspiracy, Defendants and their co-conspirators engaged in anticompetitive activities, the purpose and effect of which were to fix, maintain, suppress and otherwise make artificial the price of LIBOR-Based Derivatives. These activities included the following:

(a) Defendants participated in meetings and/or conversations to unlawfully discuss their reporting of their borrowing rates to Reuters for calculation of the daily LIBOR;

(b) Defendants agreed during those meetings and conversations to unlawfully report their borrowing rates to Reuters for calculation of LIBOR in order to drive down LIBOR and otherwise to depress or make artificial LIBOR;

(c) Defendants signaled to one another their intention to depress or otherwise make artificial LIBOR and colluded with one another in achieving this unlawful and anticompetitive purpose; and

(d) Pursuant to such an unlawful conspiracy in restraint of trade, Defendants knowingly and collusively traded in order to depress or otherwise make artificial the price of LIBOR-Based Derivatives.

ALLEGATIONS OF ANTITRUST INJURY TO PLAINTIFF AND THE CLASS

87. Defendants' anticompetitive conduct had severe adverse consequences on competition in that Plaintiff and other members of the Class who traded in LIBOR-Based Derivatives during the Class Period were trading at artificially determined prices that were made artificial as a result of Defendants' unlawful conduct. As a consequence thereof, Plaintiff and the Class suffered financial losses and were, therefore, injured in their business or property.

COUNT ONE

VIOLATIONS OF SECTION 1 OF THE SHERMAN ACT

88. Plaintiff incorporates by reference the preceding allegations.

89. Defendants and their unnamed co-conspirators entered into and engaged in a conspiracy in unreasonable restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act.

90. During the Class Period, Defendants controlled what LIBOR rate would be reported and therefore controlled the rates of return on LIBOR-Based Derivatives sold by them.

91. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained, suppressed and stabilized LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them. Defendants' conspiracy is a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade and commerce.

92. Defendants' conspiracy, and resulting impact on the market for LIBOR-Based Derivatives, occurred in or affected interstate and foreign commerce.

93. As a proximate result of Defendants' unlawful conduct, Plaintiff and members of the Class have suffered injury to their business or property.

94. Plaintiff and members of the Class are each entitled to treble damages for the violations of the Sherman Act alleged herein.

COUNT TWO

UNJUST ENRICHMENT AND RESTITUTION

95. Plaintiff incorporates by reference the preceding allegations.

96. It would be inequitable for Defendants to be permitted to retain the benefit which Defendants obtained from their manipulative acts and at the expense of Plaintiff and members of the Class.

97. Plaintiff and members of the Class are entitled to the establishment of a constructive trust impressed on the benefits to Defendants from their unjust enrichment and inequitable conduct.

98. Alternatively or additionally each Defendant should pay restitution or its own unjust enrichment to Plaintiff and members of the Class.

RELIEF SOUGHT

Accordingly, Plaintiff demands relief as follows:

A. That the Court determine that this action may be maintained as a class action under Rule 23(b)(3) of the Federal Rules of Civil Procedure, that Plaintiff be appointed as class representative, and that Plaintiff's counsel be appointed as counsel for the Class;

B. That the unlawful conduct alleged herein be adjudged and decreed to be an unlawful restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act;

C. That Defendants, their subsidiaries, affiliates, successors, transferees, assignees and the respective officers, directors, partners, agents, and employees and all other persons acting or claiming to act on their behalf, be permanently enjoined and restrained from continuing and maintaining the conspiracy alleged in the Complaint;

D. That Plaintiff and the Class recover damages, as provided under federal antitrust laws, and that a joint and several judgment in favor of Plaintiff and the Class be entered against Defendants in an amount to be trebled in accordance with such laws;

E. That Plaintiff and the Class recover their costs of the suit, including attorneys' fees, as provided by law; and

F. That the Court direct such further relief it may deem just and proper.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38(a) of the Federal Rules of Civil Procedure, Plaintiff demands a jury trial as to all issues triable by a jury.

Dated: August 3, 2011

Respectfully submitted,

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Counsel for Plaintiff and the Proposed Class

FW: LIBOR and the GSEs

Item ID:	31765
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Timothy.Friedman@fhfa.gov
Subject:	FW: LIBOR and the GSEs
Sent:	September 7, 2012 9:10 AM
Received:	September 7, 2012 9:10 AM

Hi Tim1, FYI Tim2 From: Lee, Timothy Sent: Thursday, September 06, 2012 4:34 PM To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov); stephen.cross@fhfa.gov; fred.graham@fhfa.gov; Sciacca, Christie (Christie.Sciacca@fhfa.gov) Subject: LIBOR and the GSEs Hi Jon, Steve, Fred, Christie and Nina, Following up from our meeting, please find several files attached as additional background. · The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprises' net "receive floating" interest rate swaps positions, relative to the "fair" amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge [redacted] (b) (5) The Baltimore LIBOR complaint is also attached; it defines "Class" on page 5, paragraph 23. [redacted] (b) (5) They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1
LIBOR proposal.xlsx
Original view
2 pages (displayed on pages 3 to 4)

Cash Flow Shortfall from LIBOR Suppression

Enterprises Interest Rate Swaps

dollars in millions

Swap Notic	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10
Fannie Mae							
Pay Fixed S	546,916	620,850	650,447	435,693	382,600	315,857	317,259
Less: Recei	451,081	549,823	571,802	340,384	275,417	229,293	234,901
Plus: Basis	24,560	19,815	22,200	11,000	3,225	3,220	3,020
Net Receiv	120,395	90,842	100,845	106,309	110,408	89,784	85,378
Freddie Mac							
Less: Rece	266,685	336,207	284,244	320,458	271,403	255,940	349,545
Plus: Pay F	404,359	342,747	401,904	414,776	382,259	382,145	386,194
Plus: Basis Swaps		82,090	51,065	51,615	52,045	54,070	53,910
Net Receiv	137,674	88,630	168,725	145,933	162,901	180,275	90,559
Enterprises							
Net Receiv	258,069	179,472	269,570	252,242	273,309	270,059	175,937
Swap Cash Flow Shortfall - Quarterly Totals							
0.10%	64.5	44.9	67.4	63.1	68.3	67.5	44.0
0.20%	129.0	89.7	134.8	126.1	136.7	135.0	88.0
0.30%	193.6	134.6	202.2	189.2	205.0	202.5	132.0
0.40%	258.1	179.5	269.6	252.2	273.3	270.1	175.9
Swap Cash Flow Shortfall - Cumulative							
0.10%	64.5	109.4	176.8	239.8	308.2	375.7	419.7
0.20%	129.0	218.8	353.6	479.7	616.3	751.4	839.3
0.30%	193.6	328.2	530.3	719.5	924.5	1,127.0	1,259.0
0.40%	258.1	437.5	707.1	959.4	1,232.7	1,502.7	1,678.7

30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	30-Jun-12
296,877	277,227	270,250	205,084	193,882	186,757	206,307	229,227
233,613	224,177	214,777	161,151	179,808	229,695	250,322	265,593
2,485	485	1,565	2,552	6,997	9,622	18,673	20,922
65,749	53,535	57,038	46,485	21,071	(33,316)	(25,342)	(15,444)
316,574	324,590	249,793	215,758	220,668	211,808	248,453	260,428
363,668	394,294	330,015	321,870	293,683	289,335	296,573	292,660
2,775	2,375	3,375	3,275	2,275	2,750	2,400	2,350
49,869	72,079	83,597	109,387	75,290	80,277	50,520	34,582
115,618	125,614	140,635	155,872	96,361	46,961	25,178	19,138
28.9	31.4	35.2	39.0	24.1	11.7	6.3	4.8
57.8	62.8	70.3	77.9	48.2	23.5	12.6	9.6
86.7	94.2	105.5	116.9	72.3	35.2	18.9	14.4
115.6	125.6	140.6	155.9	96.4	47.0	25.2	19.1
448.6	480.0	515.1	554.1	578.2	589.9	596.2	601.0
897.1	959.9	1,030.3	1,108.2	1,156.4	1,179.9	1,192.4	1,202.0
1,345.7	1,439.9	1,545.4	1,662.3	1,734.6	1,769.8	1,788.7	1,803.0
1,794.3	1,919.9	2,060.5	2,216.4	2,312.8	2,359.7	2,384.9	2,404.0

Attachment #2

[redacted].vcf

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Attachment #3

LIBOR_Baltimore initial complaint.pdf

Original view

28 pages (displayed on pages 8 to 35)

11 CIV 5450

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

MAYOR AND CITY COUNCIL OF BALTIMORE, on behalf of itself and all others similarly situated, Plaintiff, vs. BANK OF AMERICA CORPORATION; BARCLAYS BANK PLC; CITIBANK NA; HSBC HOLDINGS PLC; J.P. MORGAN CHASE & CO.; LLOYDS BANKING GROUP PLC; UBS AG; and WESTLB AG., Defendants.	Case No. ____________ **CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL ANTITRUST LAWS** **JURY TRIAL DEMANDED**

Plaintiff Mayor and City Council of Baltimore ("Baltimore" or "Plaintiff"), on behalf of itself and all others similarly situated, brings this action against defendants Bank of America Corporation, Barclays Bank plc, Citibank NA, HSBC Holdings plc, JP Morgan Chase & Co., Lloyds Banking Group plc, UBS AG, and WestLB AG (collectively, "Defendants") and alleges as follows:

NATURE OF CLAIM

1. This action arises from Defendants' conspiracy to unlawfully manipulate the London Interbank Offered Rate for the U.S. dollar ("LIBOR") from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased, in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

2. As alleged herein, during the Class Period (defined below), Defendants conspired to and did suppress and manipulate LIBOR throughout the Class Period.

3. Owned and administered by the British Bankers Association ("BBA"), LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

4. Every morning by 11:10 a.m. London time, the individual banks on the U.S. dollar LIBOR panel send data to Thompson Reuters Group ("Reuters"), a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

5. Throughout the Class Period, Defendants were members of the U.S. dollar LIBOR panel. Pursuant to their illegal conspiracy, Defendants knowingly and purposely submitted borrowing rates to Reuters that were below their true borrowing costs in order to suppress and manipulate LIBOR.

6. Defendants devised and executed their scheme to manipulate LIBOR in order to benefit their financial positions. Throughout the Class Period, Defendants sold financial products which tied rates of return to LIBOR. By manipulating LIBOR, Defendants paid lower returns to customers who bought those financial products.

7. Defendants' manipulation of LIBOR directly caused and resulted in an artificially lower LIBOR during the Class Period.

8. Defendants' conspiracy to suppress LIBOR violates Section 1 of the Sherman Act, 15 U.S.C. § 1. Plaintiff and members of the Class suffered damages by purchasing directly from Defendants during the Class Period financial products that had rates of return tied to LIBOR ("LIBOR-Based Derivatives"), as more fully alleged herein.

JURISDICTION AND VENUE

9. This action arises under Section 1 of the Sherman Act, 15 U.S.C., § 1, and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

10. This Court has jurisdiction under 28 U.S.C. §§ 1331 and 1337 and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

11. Venue is proper in this District pursuant to Sections 4, 12 and 16 of the Clayton Act, 15 U.S.C. §§ 15, 22 and 26 and 28 U.S.C. § 1391(b), (c) and (d). One or more of the Defendants resided, transacted business, were found, or had agents in the District, a substantial part of the events giving rise to Plaintiff's claims arose in the District, and a substantial portion of the affected interstate trade and commerce described herein has been carried out in this District.

PARTIES

12. During the Class Period, Plaintiff Baltimore purchased tens of millions of dollars worth of Interest Rate Swaps directly from at least one Defendant in which the rate of return was tied to LIBOR and was injured as a result of Defendants' anticompetitive conduct.

13. Defendant Bank of America Corporation ("Bank of America") is a Delaware corporation headquartered in Charlotte, North Carolina. During the Class Period, Bank of America was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

14. Defendant Barclays Bank plc ("Barclays") is a British public limited company headquartered in London, England. During the Class Period, Barclays was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

15. Defendant Citibank NA ("Citibank") is a wholly-owned subsidiary of the United States financial services corporation Citigroup, Inc., which is headquartered in New York, New York. During the Class Period, Citibank was a member of the British Bankers' Associations' U.S. dollar LIBOR panel.

16. Defendant HSBC Holdings plc ("HSBC Holdings") is a United Kingdom public company with its corporate headquarters in London, England. During the Class Period, HSBC was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

17. Defendant J.P. Morgan Chase & Co. ("JP Morgan") is a Delaware financial holding company headquartered in New York, New York. During the Class Period, JP Morgan was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

18. Defendant Lloyds Banking Group plc ("Lloyds") is a United Kingdom public limited company with its corporate headquarters in London, England. Lloyds was formed in 2009 through the acquisition of HBOS plc ("HBOS") and Lloyds TSB Bank plc ("Lloyds TSB"). During the Class Period, both HBOS and Lloyds TSB were members of the British Bankers' Association's U.S. dollar LIBOR panel.

19. Defendant UBS AG ("UBS") is a Swiss company based in Basel and Zurich, Switzerland. During the Class Period, UBS was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

20. Defendant WestLB AG ("WestLB") is a German joint stock company headquartered in Dusseldorf, Germany. During the Class Period, WestLB was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

UNNAMED CO-CONSPIRATORS

21. Various other entities and individuals not named as Defendants in this Complaint participated as co-conspirators in the acts complained of, and performed acts and made statements which aided and abetted and was in furtherance of the unlawful conduct alleged herein.

THE RELEVANT MARKET

22. The relevant market is LIBOR-Based Derivatives sold directly by Defendants.

CLASS ACTION ALLEGATIONS

23. Plaintiff brings this action as a class action under Rules 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure, on behalf of itself and all others similarly situated. The "Class" is defined as:

> All persons or entities other than Defendants and their employees, affiliates, parents, subsidiaries or co-conspirators (whether or not named in this Complaint) who purchased LIBOR-Based Derivatives directly from Defendants, including their subsidiaries and/or affiliates, from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased.

24. The Class is so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time, Plaintiff is informed and

believes that at least thousands of geographically dispersed Class members purchased LIBOR-Based Derivatives directly from Defendants during the Class Period.

25. Plaintiff's claims are typical of the claims of the other members of the Class. Plaintiff and the members of the Class sustained damages arising out of Defendants' common course of conduct in violation of law as complained herein. The injuries and damages of each member of the Class were directly caused by Defendants' wrongful conduct in violation of the antitrust laws as alleged herein.

26. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class action litigation, including antitrust class action litigation.

27. Common questions of law and fact exist as to all members of the Class which predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether Defendants conspired with others to artificially suppress LIBOR in violation of the Sherman Act;

(b) Whether Defendants' conduct had an anticompetitive and manipulative effect on LIBOR during the Class Period;

(c) Whether Defendants' conduct negatively affected the rates of return of LIBOR-Based Derivatives purchased directly from the Defendants during the Class Period; and

(d) The appropriate measure of damages for the injury sustained by Plaintiff and other members of the Class as a result of Defendants' unlawful activities.

28. A class action is superior to other available methods for the fair and efficient adjudication of this controversy because joinder of all Class members is impracticable. The

prosecution of separate actions by individual members of the Class would impose heavy burdens upon the courts and Defendants, and would create a risk of inconsistent or varying adjudications of the questions of law and fact common to the Class. A class action, on the other hand, would achieve substantial economies of time, effort and expense, and would assure uniformity of decision as to persons similarly situated without sacrificing procedural fairness or bringing about other undesirable results.

29. The interest of members of the Class in individually controlling the prosecution of separate actions is theoretical rather than practical. The Class has a high degree of cohesion, and prosecution of the action through representatives would be unobjectionable. The amounts at stake for Class members, while substantial in the aggregate, are not great enough individually to enable them to maintain separate suits against Defendants. Plaintiff does not anticipate any difficulty in the management of this action as a class action.

FACTUAL ALLEGATIONS

I. Background

A. Overview of LIBOR

30. Administered and owned by the BBA, LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

31. Every morning by 11:10 a.m. London time, the individual banks on the U.S. Dollar LIBOR panel send data to Reuters, a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates

public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. Dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

B. LIBOR-Based Derivatives

32. LIBOR is the primary benchmark for short-term interest rates globally.

33. According to the BBA, "the objectivity and accuracy of the [LIBOR] rates allowed derivatives to be created based on the data as a reference, and this has flourished to become an enormously successful cornerstone of business transacted in London and worldwide."

34. The perceived integrity of LIBOR allows many derivative products to be priced based on LIBOR. About $350 trillion worth of financial products globally reference LIBOR. To the extent that LIBOR is mispriced, these derivatives are also mispriced.

II. Defendants Unlawfully Conspired to Suppress and Manipulate LIBOR

35. In August, 2007, LIBOR began behaving erratically. Overnight, LIBOR began a period in which it dramatically decoupled from other financial indicators that had historically functioned as benchmarks. Reports initially assumed that low liquidity and increased credit risk endemic to the financial crisis were the likely contributing factors to the aberrant behavior of LIBOR. Subsequent examination reflects that Defendants were conspiring to artificially manipulate LIBOR to the benefit of their LIBOR-Based Derivatives positions.

36. As set forth below, Defendants' conspiracy to manipulate LIBOR throughout the Class Period is evidenced by several forms of analysis. During the Class Period, LIBOR shattered its historical relationships with various economic benchmarks, signifying that it was no longer representative of external market forces and was a result of manipulation by the

Defendants. Additionally, LIBOR has been shown to respond to external criticism, demonstrating that it was intentionally manipulated by Defendants, as opposed to reflecting an objective report of market conditions.

37. An examination of Defendants' LIBOR quotes reveals inconsistencies among Defendants' reporting across currencies and on a day-to-day basis, which supports the fact that Defendants purposefully and collectively agreed to underreport their actual borrowing costs in order to artificially and unlawfully suppress LIBOR. In so doing, they reaped massive profits from their enormous LIBOR-Based Derivatives positions, which directly benefited from their artificial suppression of LIBOR.

A. The Defendants' Unlawful Manipulation Of LIBOR

38. On December 12, 2007, the day after the Federal Reserve cut short-term interest rates for the third time that year in an effort to help ease the credit crunch and reduce the chances of an impending recession, The Wall Street Journal ("Journal") published an article predicting that continued worry over the credit crisis would effectively keep LIBOR rates high, even as other short-term interest rates would continue to fall. In fact, the Journal quoted one mortgage banker as stating that historically, in times of credit crisis, LIBOR rates have tended to spike.

39. Despite the Journal's prediction, in the early months of 2008, during the most significant financial crisis since the great depression, U.S. dollar-denominated LIBOR rates submitted by panel banks did not vary markedly, nor did they increase or decrease sharply. This fact did not correspond to traditional market behavior because in times of severe uncertainty, banks would normally be reluctant to lend to one another on an unsecured basis without receiving a higher risk premium.

40. In a market not artificially manipulated, LIBOR rates should have increased significantly during this period. In addition, because different panel banks were experiencing

different levels of economic stress, the panel banks should have been reporting markedly different borrowing rates. None of this was reflected in LIBOR rates reported by Defendants.

41. On April 16, 2008, the Journal published an article detailing the findings of a three month study it conducted into the borrowing rates of the 16 banks forming the U.S. dollar LIBOR panel. The Journal concluded that a number of banks – specifically Citibank, WestLB, HBOS, JP Morgan and UBS – had been reporting significantly lower borrowing costs than what other market measures suggest they should have been reporting. The Journal attributed this disparity to certain panel banks intentionally understating their borrowing rates.

42. The Journal's examination of the borrowing costs submitted by the panel banks during the first four months of 2008 indicated that the panel banks reported remarkably similar borrowing rates despite the fact that the banks were facing different financial stresses. For the first four months of 2008, for example, the three-month borrowing rates reported by the panel banks remained, on average, within a range of only .06 of a percentage point.

43. According to Professor Darrell Duffie, a Stanford University finance professor, the reported rates during the first four months of 2008 "[were] far too similar to be believed."

44. David Juran, a statistics professor at Columbia University who reviewed the Journal's methodology, concluded that the Journal's calculations demonstrate "very convincingly" that reported LIBOR rates are lower than what the market thinks they should be by a factor which well surpassed the threshold statisticians use to assess the significance of a result.

45. Following the Journal's April 16, 2008 report that the panel banks may be intentionally understating their borrowing rates, the BBA announced it would review LIBOR reporting process and remove any bank found to be reporting inaccurate rates from the panel.

46. In November 2007 and again in April 2008, the money market committee of the Bank of England raised questions about the integrity of LIBOR. The minutes of the committee's November 2007 meeting stated that, "several group members thought that Libor fixings had been lower than actual traded interbank rates." Minutes from the April, 2008 committee meeting noted that "U.S. dollar Libor rates had at times appeared lower than actual traded interbank rates." Similarly, Citigroup interest-rate strategist Scott Peng raised similar questions, writing that "Libor at times no longer represents the level at which banks extend loans to others."

47. On April 17, 2008, just days after the Journal published its analysis, there was a sudden jump in the U.S. dollar-denominated LIBOR. The benchmark dollar rate for three-month borrowing hit 2.1875% Thursday, or about .08 percentage points more than the 2.735% rate set on Wednesday.

48. Suspiciously, reported LIBOR rates for other currencies fell or remained relatively flat at the time the U.S. dollar LIBOR surged, a sign that the U.S. dollar LIBOR rate was susceptible to manipulation.

49. Notably, the significant move in the U.S. dollar-denominated LIBOR closely followed the BBA's announcement that it was accelerating its inquiry into the daily borrowing rates that banks provide to establish LIBOR rate.

50. The BBA's decision to speed up its inquiry was made in response to concerns expressed by bankers and the financial media that certain panel banks were not accurately reporting the rates they were paying for short-term loans.

51. In a note to clients the day after LIBOR surged, UBS strategist William O'Donnell suggested that the panel banks were responding to the heightened scrutiny, noting that

the BBA's announcement of its inquiry was an attempt "to bring publicly posted rates back into line with the shadow interbank money rate market."

52. At the time, William Porter, credit strategist at Credit Suisse, said he believed the three-month U.S. dollar LIBOR was .4 percentage points below where it should be. That echoed the view of Scott Peng, who concluded that LIBOR understated panel banks' true borrowing costs by as much as .3 percentage points.

B. Empirical Evidence Confirms Defendants' Manipulative and Conspiratorial Conduct

53. One of the unique characteristics of LIBOR's calculation is its opaqueness. The method for LIBOR calculation is only transparent to the extent that each panel bank reports to Reuters its borrowing rate and Reuters publicizes the rates and computes LIBOR. The internal calculations and methodology of the panel banks in determining their borrowing rates are unobservable to the public. This renders LIBOR susceptible to manipulation by Defendants. Since LIBOR is the basis for a large number of daily financial transactions, comparisons to observable market rates have historically been monitored.

54. In reaction to the media reports of LIBOR manipulation, various empirical studies have demonstrated that the aberrant behavior of LIBOR during the Class Period is suggestive of collective agreement amongst Defendants to manipulate and suppress LIBOR. During the Class Period, LIBOR deviated dramatically from its historic relationships with other economic indicators. This sudden and dramatic variation is consistent with the fact that LIBOR was in fact being manipulated by Defendants, as opposed to accurately reporting market characteristics.

1. LIBOR Diverges From Its Historical Relationship With The Eurodollar

55. The U.S. dollar LIBOR, in effect, measures the interest rate offered to panel banks to borrow U.S. dollar deposits, also known as Eurodollars. Eurodollars are also traded in

the market, and the market rate for Eurodollars is commonly seen as the best market proxy for LIBOR. An analysis conducted by Connan Snider, a Professor at UCLA and Thomas Youle, emphasized that, prior to August 2007, the previous day's Eurodollar bid rate was a better predictor of LIBOR than the previous days LIBOR.

56. Historically, the difference between LIBOR and Eurodollar rate, known as LIBOR/Eurodollar spread (effectively LIBOR minus the Eurodollar bid rate), average 2.75 basis points.[1] The spread was almost always positive, meaning the Eurodollar rate was slightly lower, reflecting the measurement of LIBOR as an offer rate and the Eurodollar rate as a bid rate on U.S. dollar deposits. After August 2007, Defendants' manipulation and suppression of LIBOR resulted in a decoupling of LIBOR and the Eurodollar rate, and a reversal of the relationship so that the spread was negative. In the post manipulation period, the average spread was -24.70 basis points.

57. Even more indicative of Defendants' manipulation was that after August 2007, LIBOR/Eurodollar spread became strongly negative as opposed to the historical mildly positive relationship, as illustrated by the chart below. This change in the historical relationship is evidence of the downward manipulation of LIBOR. In some cases, LIBOR was 15 to 20 basis points lower than the Eurodollar market rate. In effect, LIBOR reported that banks were offering Eurodollars at a rate lower than market participants were actually buying them, a result that strongly indicates Defendants' manipulation of LIBOR.

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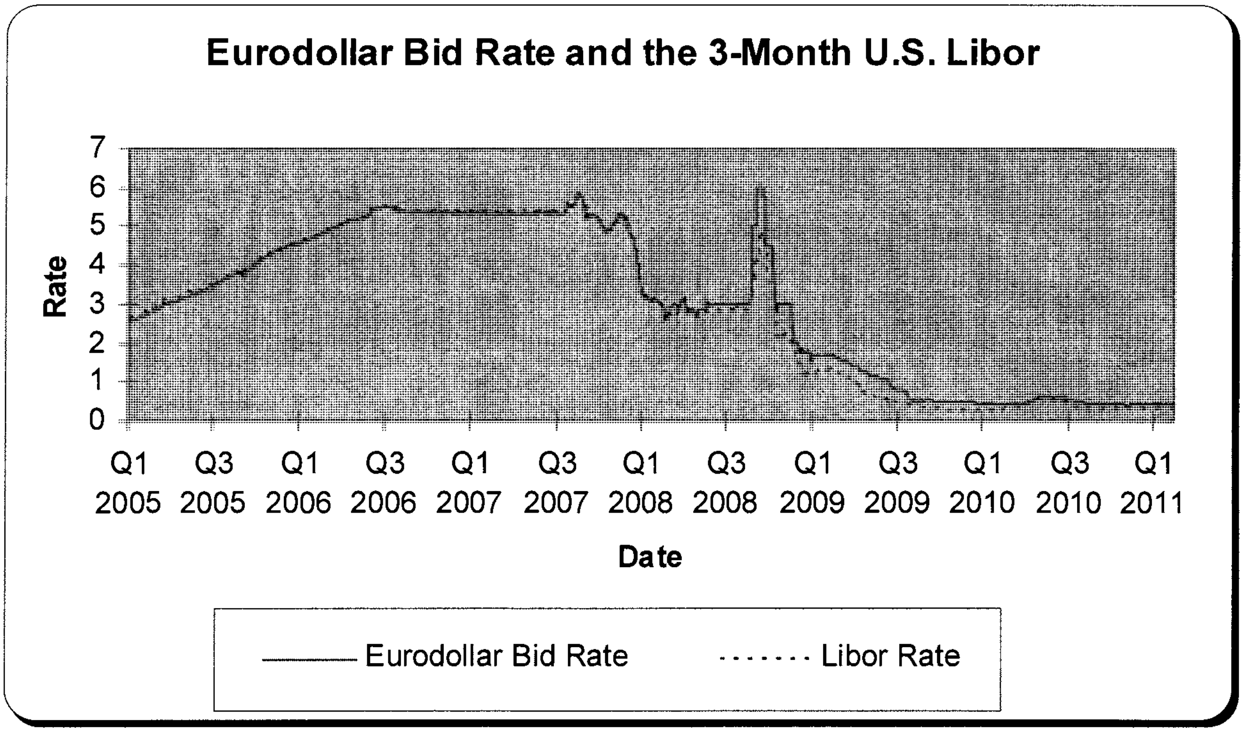
[1] A "basis point" is a term commonly used to measure a financial instrument, interest rates. A basis point is equal to 1/100th of 1%. It is a commonly used term of measurement for financial instruments because daily rate changes are typically smaller than 1 percent, though small changes have huge financial effects.



58. When Snider and Youle performed the identical analysis for the period after August 2007, they found that the previous day's Eurodollar rate had less predictive power on LIBOR. In fact, as LIBOR dropped below the Eurodollar rate, the previous day's LIBOR became a better predictor of the current LIBOR. This demonstrates that LIBOR was no longer responding to market forces, but instead was the product of Defendants' manipulation.

2. LIBOR Diverges From Its Historical Relationship With Credit Default Swaps

59. A credit default swap ("CDS") is a swap contract and agreement in which the protection buyer of the CDS makes a series of payments (often referred to as the CDS "fee" or "spread") to the protection seller and, in exchange, receives a payment if the underlying credit instrument (typically a bond or loan) experiences a credit event. The spread serves as a measure of the perceived risk of default by the entity issuing the underlying bond or receiving the loan. The greater the risk of default on the underlying bond or loan, the greater the spread. In the case

of a CDS whose underlying instrument is an interbank loan in which a panel bank is the borrower, the greater the perceived risk that the panel bank will default on the loan, the higher its CDS spread.

60. CDSs are a useful benchmark for LIBOR because both CDSs and LIBOR are a measure of perceived credit risks. On May 29, 2008, Carrick Mollenkamp and Mark Whitehouse ("Mollenkamp and Whitehouse") published an article in the Journal, emphasizing significant disparities between certain panel banks' perceived risk in the CDS market and their LIBOR reporting. A higher CDS spread is indicative of a larger perceived risk in lending to an institution because it represents the cost of insuring against a default on that loan.

61. In their analysis, which followed Mollenkamp and Whitehouse, Snider and Youle performed two separate comparisons between LIBOR and CDSs to highlight inconsistencies in LIBOR reporting. First, they noted that a specific reporting bank may have a comparatively higher CDS spread than a second reporting bank (and therefore be perceived as comparatively "riskier"), while simultaneously having a lower LIBOR than the same bank (which would indicate that it is perceived as a "less risky" investment). For example, Citigroup consistently has a substantially higher CDS spread than the Bank of Tokyo – Mitsubishi, yet Citigroup reported comparatively lower LIBOR quotes. Mollenkamp and Whitehouse also noted the same pattern.

C. Inconsistencies With LIBOR Reporting By Individual Banks

62. A close examination of the borrowing rates reported by Defendants to Reuters for calculation of LIBOR during the Class period and each bank's incentive to manipulate LIBOR further evidences Defendants' conspiracy to manipulate and suppress LIBOR. For example, Alexandre Harthieser of ESCP Europe and Natixis Bank and Phillippe K. Spieser, Professor of

Finance at ESCP Europe, performed clustering analysis on the panel members' individual reporting and concluded that "a suspect cartel has been identified."

1. Panel Banks Report Inconsistent Rates Across Currencies

63. Panel Banks report LIBOR across different currencies each day. Since LIBOR is a measure of a bank's stability as an institution, absent manipulation, the comparative ranking of panel banks should largely be the same across different currencies (allowing for the variation in panel composition across currencies). A comparison of LIBOR across different currencies shows this is not consistently so.

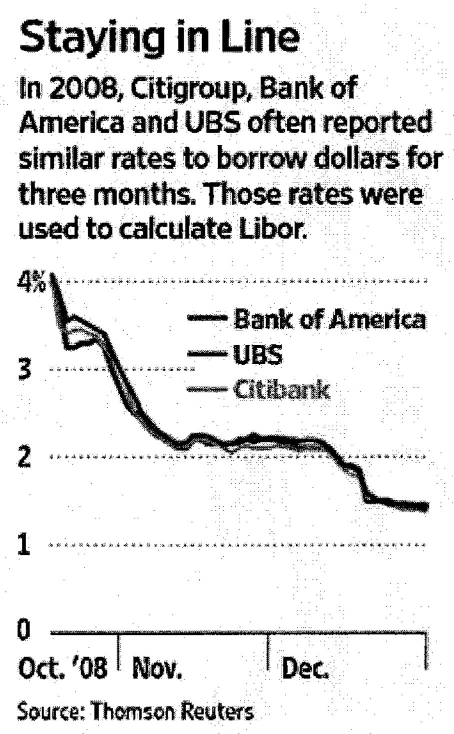
64. For example, Bank of America and Bank of Tokyo-Mitsubishi both report rates to Reuters for calculation of the U.S. dollar and Yen LIBOR. Over the manipulation period, it was common for Bank of America to simultaneously quote a lower rate than Bank of Tokyo-Mitsubishi in U.S. dollar LIBOR and a higher quote in the Yen LIBOR. Since institutional risk should be the same for each panel bank regardless of the what currency it is measured in, this indicates that the rates being reported do not accurately reflect market conditions and are an indication of manipulation.

2. Bunching

65. Throughout the Class Period, the rates reported by certain Defendants "bunch" around the fourth lowest quote each day. That is to say that the rates reported by those Defendants to Reuters were consistently near the fourth lowest of the 16 panel banks. Since Reuters, at the time, calculated LIBOR by removing the lowest (and highest) four reported rates everyday, bunching around the fourth lowest rate is suggestive that those Defendants collectively acted and colluded to suppress and manipulate LIBOR.

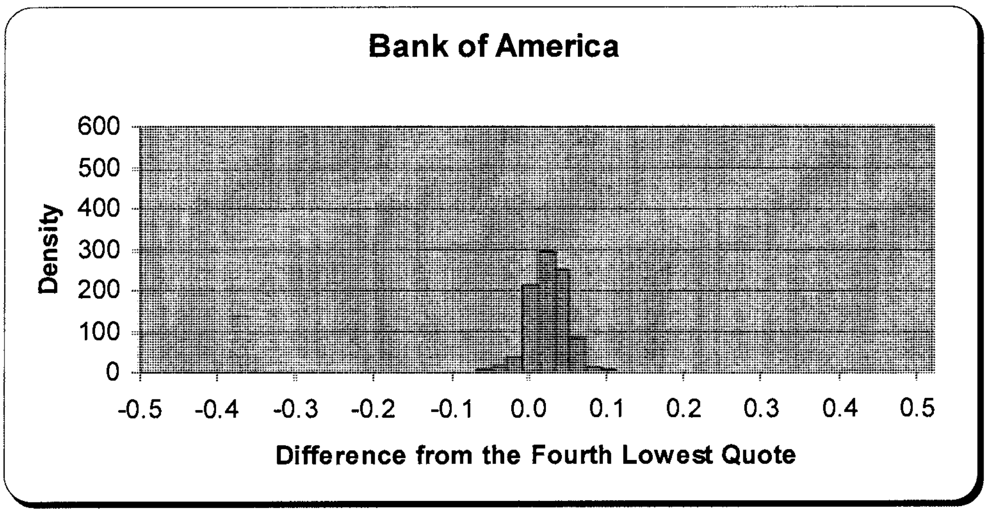
66. As an initial matter, bunching among Defendants' reported rates demonstrates that Defendants intended to report the same or similar rates. The individual variation between

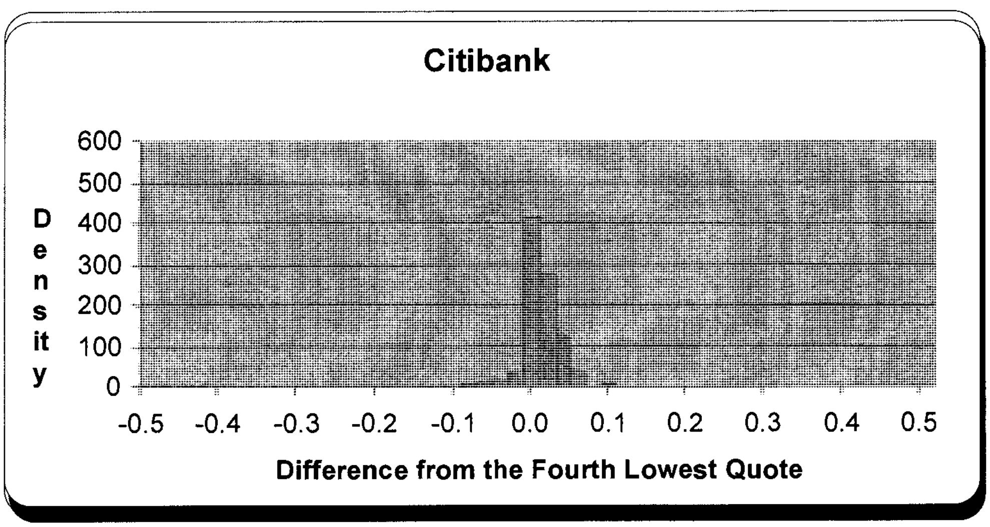
the financial situation of each reporting bank should lead to differences in the reported rates. The fact that, throughout the Class Period, Defendants repeatedly reported identical rates to Reuters is an indication that the Defendants were conspiring to manipulate LIBOR. The chart below, for example, indicates that, in late 2008, Bank of America, UBS and Citibank reported nearly identical rates to borrow dollars for three months.



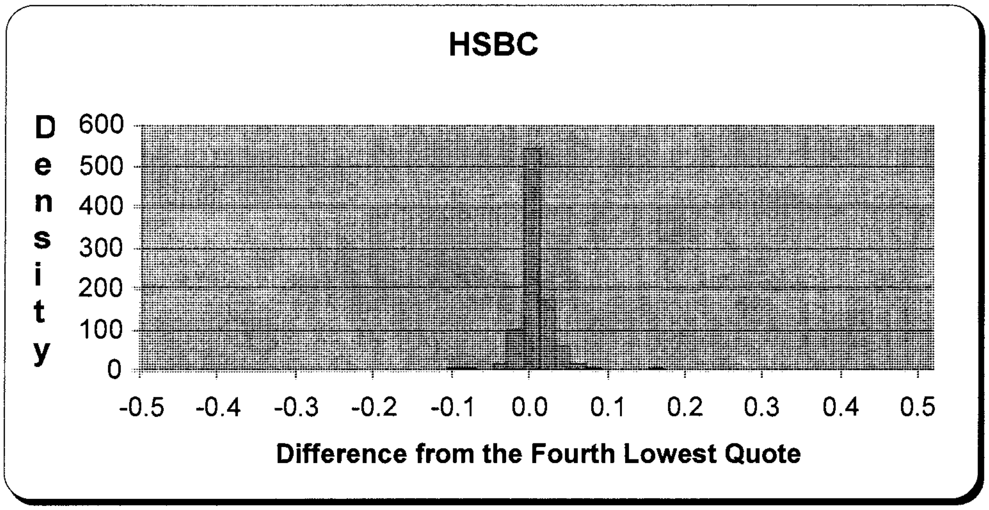
67. Further, certain Defendants' consistent bunching of their reported rates at or near the fourth lowest position is suggestive of their intent to artificially suppress LIBOR. This is because the fifth lowest quote is the lowest quote that is included by Reuters in calculating the day's LIBOR. Defendants' clustering at or near the fourth lowest rate ensures that the artificially low rates reported by Defendants will be included in the BBA's daily calculation resulting in the artificial suppression of LIBOR.

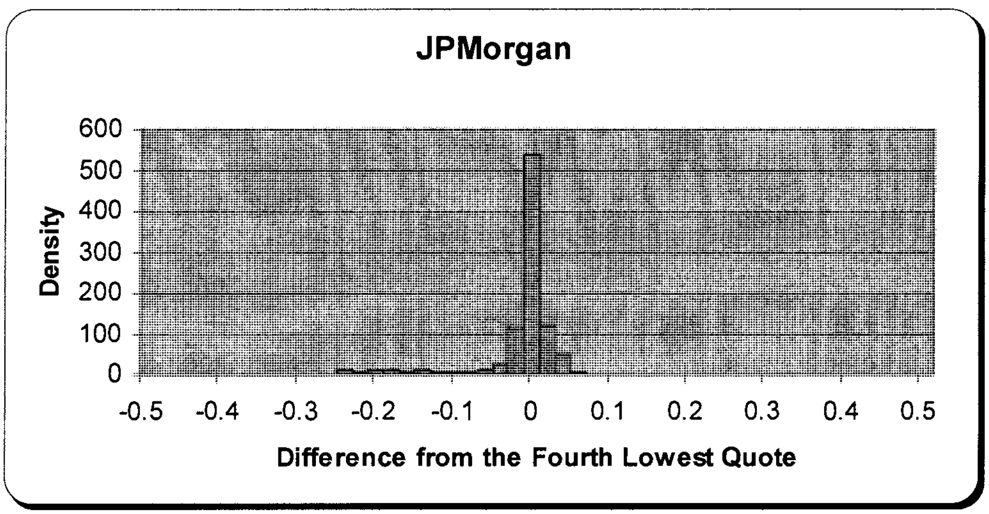
68. The following charts of daily U.S. dollar LIBOR reported rates show the frequency with which Defendants Bank of America, Citibank, HSBC, and JP Morgan reported within a given percentage rate from the 4th lowest quote. A negative difference means that they were below the 4th lowest quote, and therefore not included in the daily LIBOR calculation. Zero difference means that they either were the 4th lowest quote on a given day or tied at the same value as the 4th lowest quote.[2]





[2] If there is a tie between LIBOR quotes on a given day, one of the banks' quotes is discarded at random.





69. While bunching is reflective of Defendants' intention to report the lowest borrowing rate to be calculated by Reuters, *i.e.*, the fifth lowest borrowing rate, this does not suggest that the panel banks reporting the four lowest quotes (quotes that are discarded by Reuters) are not members of the conspiracy. Due to the mechanics of LIBOR calculation, there will always be discounted outliers. If all of the panel banks reported the same low rate, the lowest four would always be discounted. Therefore by bunching quoted rates around the 4th lowest rate, the panel banks ensured the maximum downward manipulation.

3. Defendants Had Significant Incentives to Manipulate LIBOR

70. Defendants held significant financial positions in LIBOR-Based Derivatives, such as in exchange-traded futures contracts and in over-the-counter Interest Rate Swaps, providing them incentive to suppress LIBOR. Defendants' positions in Interest Rate Swaps, for example, were so large throughout the Class Period, that even a small unhedged exposure to LIBOR-Based Derivatives would create enormous financial incentives for Defendants to manipulate LIBOR. Furthermore, when LIBOR experienced a significant drop in Q1 2009, Defendants reaped billions of dollars in profits. It was no accident that Defendants experienced sharply increased profits in their Interest Rate Swap positions at the time LIBOR fell – Defendants purposely took positions in Interest Rate Swaps, which benefited from their suppression of LIBOR. Upon information and belief, throughout the Class Period, Defendants' manipulation and suppression of LIBOR benefited their other LIBOR-Based derivative positions as well.

71. As a result of these incentives Defendants' trading positions came to dominate their reporting obligations to the BBA. A Financial Times article reports, for example, that Barclays is currently under investigation by the regulatory authorities of the United States and the United Kingdom for violating "Chinese Wall" rules which restrict information sharing between different parts of the bank. Barclays' treasury department submits its daily borrowing costs to the BBA and is walled-off from its traders. Barclays is being investigated regarding communications between its traders and its treasury department which improperly influenced the daily submission process.

III. Governmental Investigations

72. Defendants' conspiracy to manipulate and make artificial LIBOR-Based Derivatives during the Class Period has spurred investigations by numerous government regulatory agencies into the reporting practices of various banks on the U.S. dollar panel.

73. The regulatory investigations were first publicly disclosed on March 15, 2011, when UBS disclosed in its annual report that it had received subpoenas from the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the United States Department of Justice, as well as an information request from the Japanese Financial Supervisory Agency, relating to its reporting of lending rates to Reuters for calculation of LIBOR. UBS's disclosure states that the focus of the investigations is "whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate LIBOR at certain times." Other Defendants have subsequently disclosed that they are subject to investigation by regulatory authorities related to LIBOR. On August 1, 2011, for example, HSBC released its 2011 Interim Results and Barclays released its Half-Yearly Report in the United Kingdom, each disclosing that they were under investigation by various regulatory authorities around the World. Barclays specifically identified investigations by the United Kingdom Financial Services Authority, the Commodity Futures Trading Commission, the Securities and Exchange Commission, the Department of Justice Fraud Section of the Criminal Division and Antitrust Division' and the European Commission. The Journal has reported that the investigators are looking into whether the banks effectively formed a global cartel and coordinated how to report borrowing costs between 2006 and 2008.

74. A Financial Times article published the same day as UBS's disclosure reported that the three U.S. agencies the Japanese Financial Supervisory Agency and the United Kingdom's Financial Services Authority had also requested information, and had begun interviewing witnesses, connected to Defendants for several months.

75. On July 26, 2011, the Financial Times reported that investigators had expanded their probe to include yen-based LIBOR and the Tokyo interbank offered rate ("TIBOR"). In its

results announcement made that day, UBS confirmed that the investigation's scope had widened and disclosed that it had received "conditional leniency and conditional immunity" from the United States Department of Justice for turning over information on the setting of yen-based LIBOR and of the Tokyo interbank offered rate ("TIBOR"). UBS said that while its immunity stretched to the yen-based LIBOR and the TIBOR the deal did not bar the Department of Justice or other "government agencies from asserting other claims against us". The Antitrust Division's leniency policies were established for corporations and individuals "reporting their illegal antitrust activity" and the policies protect leniency recipients from criminal conviction. Notably, each of the Defendants from 2006 to 2009 were members of the yen-based LIBOR panel.

76. Latham & Watkins LLP has observed that the coordinated antitrust investigations in the United States, EU, UK, and Japan indicate that the enforcers are cooperating with each other and that the antitrust investigations may have been triggered by one of the banks taking advantage of the Antitrust Division's Corporate Leniency Policy, as well as other leniency policies around the globe.

FRAUDULENT CONCEALMENT

77. By its very nature, the unlawful activity, as alleged herein, that Defendants engaged in was self-concealing. Defendants, *inter alia*, conspired and engaged in secret and surreptitious activities in order to manipulate LIBOR.

78. Defendants fraudulently concealed their participation in their conspiracy to manipulate LIBOR by, among other things, engaging in secret meetings and communications in furtherance of the conspiracies. Because of such fraudulent concealment, and the fact that a conspiracy in restraint of trade is inherently self-concealing, Plaintiff and the members of the

Class could not have discovered the existence of Defendants' conspiracy and manipulation any earlier than public disclosures thereof.

79. Defendants agreed among themselves not to discuss publicly or otherwise reveal the nature and substance of the acts and communications in furtherance of their illegal conspiracy and manipulation.

80. Defendants' actions in fraudulently concealing their illegal conspiracy caused the BBA, the organization that owns and administers LIBOR, to issue a number of statements defending the integrity of LIBOR.

81. For instance, in a statement issued in May 2008, in response to published reports suggesting that Defendants had artificially suppressed LIBOR as evidenced by the decoupling of LIBOR from the CDS market, a BBA spokeswoman announced that there was "no indication" that the default-insurance market provides a more accurate picture of banks' borrowing costs than LIBOR.

82. In June 2009, John Ewan, director of the BBA, represented that LIBOR was "not a false signal to the markets." Even as recently as March 2011, in response to UBS's disclosure that it was the subject of government investigations in connection with Defendants' suppression of LIBOR, the BBA issued a statement characterizing LIBOR as an "accurate and reliable benchmark[]."

83. Plaintiff and members of the Class were lulled into believing that the returns on their LIBOR-Based Derivatives were the result of market conditions, rather than the product of Defendants' manipulation and collusive activities.

84. Because of Defendants' active steps, including fraudulent concealment of their conspiracy to prevent Plaintiffs and members of the Classes from suing them for the

anticompetitive activities alleged in this Complaint, Defendants are equitably estopped from asserting that any otherwise applicable limitations period has run.

DEFENDANTS' ANTITRUST VIOLATIONS

85. Beginning at least as early as August 1, 2007, and continuing until at least the date of the filing of the Complaint, the exact dates being unknown to Plaintiff, Defendants and their co-conspirators engaged in a continuing agreement, understanding, or conspiracy in restraint of trade to artificially fix, maintain, suppress and stabilize LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them.

86. In formulating and effectuating the contract, combination, or conspiracy, Defendants and their co-conspirators engaged in anticompetitive activities, the purpose and effect of which were to fix, maintain, suppress and otherwise make artificial the price of LIBOR-Based Derivatives. These activities included the following:

(a) Defendants participated in meetings and/or conversations to unlawfully discuss their reporting of their borrowing rates to Reuters for calculation of the daily LIBOR;

(b) Defendants agreed during those meetings and conversations to unlawfully report their borrowing rates to Reuters for calculation of LIBOR in order to drive down LIBOR and otherwise to depress or make artificial LIBOR;

(c) Defendants signaled to one another their intention to depress or otherwise make artificial LIBOR and colluded with one another in achieving this unlawful and anticompetitive purpose; and

(d) Pursuant to such an unlawful conspiracy in restraint of trade, Defendants knowingly and collusively traded in order to depress or otherwise make artificial the price of LIBOR-Based Derivatives.

ALLEGATIONS OF ANTITRUST INJURY TO PLAINTIFF AND THE CLASS

87. Defendants' anticompetitive conduct had severe adverse consequences on competition in that Plaintiff and other members of the Class who traded in LIBOR-Based Derivatives during the Class Period were trading at artificially determined prices that were made artificial as a result of Defendants' unlawful conduct. As a consequence thereof, Plaintiff and the Class suffered financial losses and were, therefore, injured in their business or property.

COUNT ONE

VIOLATIONS OF SECTION 1 OF THE SHERMAN ACT

88. Plaintiff incorporates by reference the preceding allegations.

89. Defendants and their unnamed co-conspirators entered into and engaged in a conspiracy in unreasonable restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act.

90. During the Class Period, Defendants controlled what LIBOR rate would be reported and therefore controlled the rates of return on LIBOR-Based Derivatives sold by them.

91. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained, suppressed and stabilized LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them. Defendants' conspiracy is a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade and commerce.

92. Defendants' conspiracy, and resulting impact on the market for LIBOR-Based Derivatives, occurred in or affected interstate and foreign commerce.

93. As a proximate result of Defendants' unlawful conduct, Plaintiff and members of the Class have suffered injury to their business or property.

94. Plaintiff and members of the Class are each entitled to treble damages for the violations of the Sherman Act alleged herein.

COUNT TWO

UNJUST ENRICHMENT AND RESTITUTION

95. Plaintiff incorporates by reference the preceding allegations.

96. It would be inequitable for Defendants to be permitted to retain the benefit which Defendants obtained from their manipulative acts and at the expense of Plaintiff and members of the Class.

97. Plaintiff and members of the Class are entitled to the establishment of a constructive trust impressed on the benefits to Defendants from their unjust enrichment and inequitable conduct.

98. Alternatively or additionally each Defendant should pay restitution or its own unjust enrichment to Plaintiff and members of the Class.

RELIEF SOUGHT

Accordingly, Plaintiff demands relief as follows:

A. That the Court determine that this action may be maintained as a class action under Rule 23(b)(3) of the Federal Rules of Civil Procedure, that Plaintiff be appointed as class representative, and that Plaintiff's counsel be appointed as counsel for the Class;

B. That the unlawful conduct alleged herein be adjudged and decreed to be an unlawful restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act;

C. That Defendants, their subsidiaries, affiliates, successors, transferees, assignees and the respective officers, directors, partners, agents, and employees and all other persons acting or claiming to act on their behalf, be permanently enjoined and restrained from continuing and maintaining the conspiracy alleged in the Complaint;

D. That Plaintiff and the Class recover damages, as provided under federal antitrust laws, and that a joint and several judgment in favor of Plaintiff and the Class be entered against Defendants in an amount to be trebled in accordance with such laws;

E. That Plaintiff and the Class recover their costs of the suit, including attorneys' fees, as provided by law; and

F. That the Court direct such further relief it may deem just and proper.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38(a) of the Federal Rules of Civil Procedure, Plaintiff demands a jury trial as to all issues triable by a jury.

Dated: August 3, 2011

Respectfully submitted,

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Counsel for Plaintiff and the Proposed Class

FW: LIBOR and the GSEs

Item ID:	31769
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	timoth31@gmail.com <timoth31@gmail.com>
Subject:	FW: LIBOR and the GSEs
Sent:	September 7, 2012 9:11 AM
Received:	September 7, 2012 9:11 AM

From: Lee, Timothy Sent: Thursday, September 06, 2012 4:34 PM To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov); stephen.cross@fhfa.gov; fred.graham@fhfa.gov; Sciacca, Christie (Christie.Sciacca@fhfa.gov) Subject: LIBOR and the GSEs Hi Jon, Steve, Fred, Christie and Nina, Following up from our meeting, please find several files attached as additional background. · The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprises' net "receive floating" interest rate swaps positions, relative to the "fair" amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge (b) (5) [redacted] · The Baltimore LIBOR complaint is also attached; it defines "Class" on page 5, paragraph 23. (b) (5) [redacted] They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1

LIBOR proposal.xlsx

Original view

2 pages (displayed on pages 3 to 4)

Cash Flow Shortfall from LIBOR Suppression

Enterprises Interest Rate Swaps

dollars in millions

Swap Notic	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10
Fannie Mae							
Pay Fixed S	546,916	620,850	650,447	435,693	382,600	315,857	317,259
Less: Recei	451,081	549,823	571,802	340,384	275,417	229,293	234,901
Plus: Basis	24,560	19,815	22,200	11,000	3,225	3,220	3,020
Net Receiv	120,395	90,842	100,845	106,309	110,408	89,784	85,378
Freddie Mac							
Less: Rece	266,685	336,207	284,244	320,458	271,403	255,940	349,545
Plus: Pay F	404,359	342,747	401,904	414,776	382,259	382,145	386,194
Plus: Basis Swaps		82,090	51,065	51,615	52,045	54,070	53,910
Net Receiv	137,674	88,630	168,725	145,933	162,901	180,275	90,559
Enterprises							
Net Receiv	258,069	179,472	269,570	252,242	273,309	270,059	175,937
Swap Cash Flow Shortfall - Quarterly Totals							
0.10%	64.5	44.9	67.4	63.1	68.3	67.5	44.0
0.20%	129.0	89.7	134.8	126.1	136.7	135.0	88.0
0.30%	193.6	134.6	202.2	189.2	205.0	202.5	132.0
0.40%	258.1	179.5	269.6	252.2	273.3	270.1	175.9
Swap Cash Flow Shortfall - Cumulative							
0.10%	64.5	109.4	176.8	239.8	308.2	375.7	419.7
0.20%	129.0	218.8	353.6	479.7	616.3	751.4	839.3
0.30%	193.6	328.2	530.3	719.5	924.5	1,127.0	1,259.0
0.40%	258.1	437.5	707.1	959.4	1,232.7	1,502.7	1,678.7

30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	30-Jun-12
296,877	277,227	270,250	205,084	193,882	186,757	206,307	229,227
233,613	224,177	214,777	161,151	179,808	229,695	250,322	265,593
2,485	485	1,565	2,552	6,997	9,622	18,673	20,922
65,749	53,535	57,038	46,485	21,071	(33,316)	(25,342)	(15,444)
316,574	324,590	249,793	215,758	220,668	211,808	248,453	260,428
363,668	394,294	330,015	321,870	293,683	289,335	296,573	292,660
2,775	2,375	3,375	3,275	2,275	2,750	2,400	2,350
49,869	72,079	83,597	109,387	75,290	80,277	50,520	34,582
115,618	125,614	140,635	155,872	96,361	46,961	25,178	19,138
28.9	31.4	35.2	39.0	24.1	11.7	6.3	4.8
57.8	62.8	70.3	77.9	48.2	23.5	12.6	9.6
86.7	94.2	105.5	116.9	72.3	35.2	18.9	14.4
115.6	125.6	140.6	155.9	96.4	47.0	25.2	19.1
448.6	480.0	515.1	554.1	578.2	589.9	596.2	601.0
897.1	959.9	1,030.3	1,108.2	1,156.4	1,179.9	1,192.4	1,202.0
1,345.7	1,439.9	1,545.4	1,662.3	1,734.6	1,769.8	1,788.7	1,803.0
1,794.3	1,919.9	2,060.5	2,216.4	2,312.8	2,359.7	2,384.9	2,404.0

Attachment #2

[redacted].vcf

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FN [redacted]
ORG:US Department of Justice
TITLE [redacted]
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Washington DC 20004
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REV:20120906T194941Z
END:VCARD

Attachment #3

LIBOR_Baltimore initial complaint.pdf

Original view

28 pages (displayed on pages 8 to 35)

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

MAYOR AND CITY COUNCIL OF BALTIMORE, on behalf of itself and all others similarly situated,

Plaintiff,

vs.

BANK OF AMERICA CORPORATION; BARCLAYS BANK PLC; CITIBANK NA; HSBC HOLDINGS PLC; J.P. MORGAN CHASE & CO.; LLOYDS BANKING GROUP PLC; UBS AG; and WESTLB AG.,

Defendants.

Case No. ______________

CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL ANTITRUST LAWS

JURY TRIAL DEMANDED

Plaintiff Mayor and City Council of Baltimore ("Baltimore" or "Plaintiff"), on behalf of itself and all others similarly situated, brings this action against defendants Bank of America Corporation, Barclays Bank plc, Citibank NA, HSBC Holdings plc, JP Morgan Chase & Co., Lloyds Banking Group plc, UBS AG, and WestLB AG (collectively, "Defendants") and alleges as follows:

NATURE OF CLAIM

1. This action arises from Defendants' conspiracy to unlawfully manipulate the London Interbank Offered Rate for the U.S. dollar ("LIBOR") from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased, in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

2. As alleged herein, during the Class Period (defined below), Defendants conspired to and did suppress and manipulate LIBOR throughout the Class Period.

3. Owned and administered by the British Bankers Association ("BBA"), LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

4. Every morning by 11:10 a.m. London time, the individual banks on the U.S. dollar LIBOR panel send data to Thompson Reuters Group ("Reuters"), a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

5. Throughout the Class Period, Defendants were members of the U.S. dollar LIBOR panel. Pursuant to their illegal conspiracy, Defendants knowingly and purposely submitted borrowing rates to Reuters that were below their true borrowing costs in order to suppress and manipulate LIBOR.

6. Defendants devised and executed their scheme to manipulate LIBOR in order to benefit their financial positions. Throughout the Class Period, Defendants sold financial products which tied rates of return to LIBOR. By manipulating LIBOR, Defendants paid lower returns to customers who bought those financial products.

7. Defendants' manipulation of LIBOR directly caused and resulted in an artificially lower LIBOR during the Class Period.

8. Defendants' conspiracy to suppress LIBOR violates Section 1 of the Sherman Act, 15 U.S.C. § 1. Plaintiff and members of the Class suffered damages by purchasing directly from Defendants during the Class Period financial products that had rates of return tied to LIBOR ("LIBOR-Based Derivatives"), as more fully alleged herein.

JURISDICTION AND VENUE

9. This action arises under Section 1 of the Sherman Act, 15 U.S.C., § 1, and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

10. This Court has jurisdiction under 28 U.S.C. §§ 1331 and 1337 and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

11. Venue is proper in this District pursuant to Sections 4, 12 and 16 of the Clayton Act, 15 U.S.C. §§ 15, 22 and 26 and 28 U.S.C. § 1391(b), (c) and (d). One or more of the Defendants resided, transacted business, were found, or had agents in the District, a substantial part of the events giving rise to Plaintiff's claims arose in the District, and a substantial portion of the affected interstate trade and commerce described herein has been carried out in this District.

PARTIES

12. During the Class Period, Plaintiff Baltimore purchased tens of millions of dollars worth of Interest Rate Swaps directly from at least one Defendant in which the rate of return was tied to LIBOR and was injured as a result of Defendants' anticompetitive conduct.

13. Defendant Bank of America Corporation ("Bank of America") is a Delaware corporation headquartered in Charlotte, North Carolina. During the Class Period, Bank of America was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

14. Defendant Barclays Bank plc ("Barclays") is a British public limited company headquartered in London, England. During the Class Period, Barclays was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

15. Defendant Citibank NA ("Citibank") is a wholly-owned subsidiary of the United States financial services corporation Citigroup, Inc., which is headquartered in New York, New York. During the Class Period, Citibank was a member of the British Bankers' Associations' U.S. dollar LIBOR panel.

16. Defendant HSBC Holdings plc ("HSBC Holdings") is a United Kingdom public company with its corporate headquarters in London, England. During the Class Period, HSBC was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

17. Defendant J.P. Morgan Chase & Co. ("JP Morgan") is a Delaware financial holding company headquartered in New York, New York. During the Class Period, JP Morgan was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

18. Defendant Lloyds Banking Group plc ("Lloyds") is a United Kingdom public limited company with its corporate headquarters in London, England. Lloyds was formed in 2009 through the acquisition of HBOS plc ("HBOS") and Lloyds TSB Bank plc ("Lloyds TSB"). During the Class Period, both HBOS and Lloyds TSB were members of the British Bankers' Association's U.S. dollar LIBOR panel.

19. Defendant UBS AG ("UBS") is a Swiss company based in Basel and Zurich, Switzerland. During the Class Period, UBS was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

20. Defendant WestLB AG ("WestLB") is a German joint stock company headquartered in Dusseldorf, Germany. During the Class Period, WestLB was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

UNNAMED CO-CONSPIRATORS

21. Various other entities and individuals not named as Defendants in this Complaint participated as co-conspirators in the acts complained of, and performed acts and made statements which aided and abetted and was in furtherance of the unlawful conduct alleged herein.

THE RELEVANT MARKET

22. The relevant market is LIBOR-Based Derivatives sold directly by Defendants.

CLASS ACTION ALLEGATIONS

23. Plaintiff brings this action as a class action under Rules 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure, on behalf of itself and all others similarly situated. The "Class" is defined as:

> All persons or entities other than Defendants and their employees, affiliates, parents, subsidiaries or co-conspirators (whether or not named in this Complaint) who purchased LIBOR-Based Derivatives directly from Defendants, including their subsidiaries and/or affiliates, from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased.

24. The Class is so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time, Plaintiff is informed and

believes that at least thousands of geographically dispersed Class members purchased LIBOR-Based Derivatives directly from Defendants during the Class Period.

25. Plaintiff's claims are typical of the claims of the other members of the Class. Plaintiff and the members of the Class sustained damages arising out of Defendants' common course of conduct in violation of law as complained herein. The injuries and damages of each member of the Class were directly caused by Defendants' wrongful conduct in violation of the antitrust laws as alleged herein.

26. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class action litigation, including antitrust class action litigation.

27. Common questions of law and fact exist as to all members of the Class which predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether Defendants conspired with others to artificially suppress LIBOR in violation of the Sherman Act;

(b) Whether Defendants' conduct had an anticompetitive and manipulative effect on LIBOR during the Class Period;

(c) Whether Defendants' conduct negatively affected the rates of return of LIBOR-Based Derivatives purchased directly from the Defendants during the Class Period; and

(d) The appropriate measure of damages for the injury sustained by Plaintiff and other members of the Class as a result of Defendants' unlawful activities.

28. A class action is superior to other available methods for the fair and efficient adjudication of this controversy because joinder of all Class members is impracticable. The

prosecution of separate actions by individual members of the Class would impose heavy burdens upon the courts and Defendants, and would create a risk of inconsistent or varying adjudications of the questions of law and fact common to the Class. A class action, on the other hand, would achieve substantial economies of time, effort and expense, and would assure uniformity of decision as to persons similarly situated without sacrificing procedural fairness or bringing about other undesirable results.

29. The interest of members of the Class in individually controlling the prosecution of separate actions is theoretical rather than practical. The Class has a high degree of cohesion, and prosecution of the action through representatives would be unobjectionable. The amounts at stake for Class members, while substantial in the aggregate, are not great enough individually to enable them to maintain separate suits against Defendants. Plaintiff does not anticipate any difficulty in the management of this action as a class action.

FACTUAL ALLEGATIONS

I. Background

A. Overview of LIBOR

30. Administered and owned by the BBA, LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

31. Every morning by 11:10 a.m. London time, the individual banks on the U.S. Dollar LIBOR panel send data to Reuters, a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates

public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. Dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

B. LIBOR-Based Derivatives

32. LIBOR is the primary benchmark for short-term interest rates globally.

33. According to the BBA, "the objectivity and accuracy of the [LIBOR] rates allowed derivatives to be created based on the data as a reference, and this has flourished to become an enormously successful cornerstone of business transacted in London and worldwide."

34. The perceived integrity of LIBOR allows many derivative products to be priced based on LIBOR. About $350 trillion worth of financial products globally reference LIBOR. To the extent that LIBOR is mispriced, these derivatives are also mispriced.

II. Defendants Unlawfully Conspired to Suppress and Manipulate LIBOR

35. In August, 2007, LIBOR began behaving erratically. Overnight, LIBOR began a period in which it dramatically decoupled from other financial indicators that had historically functioned as benchmarks. Reports initially assumed that low liquidity and increased credit risk endemic to the financial crisis were the likely contributing factors to the aberrant behavior of LIBOR. Subsequent examination reflects that Defendants were conspiring to artificially manipulate LIBOR to the benefit of their LIBOR-Based Derivatives positions.

36. As set forth below, Defendants' conspiracy to manipulate LIBOR throughout the Class Period is evidenced by several forms of analysis. During the Class Period, LIBOR shattered its historical relationships with various economic benchmarks, signifying that it was no longer representative of external market forces and was a result of manipulation by the

Defendants. Additionally, LIBOR has been shown to respond to external criticism, demonstrating that it was intentionally manipulated by Defendants, as opposed to reflecting an objective report of market conditions.

37. An examination of Defendants' LIBOR quotes reveals inconsistencies among Defendants' reporting across currencies and on a day-to-day basis, which supports the fact that Defendants purposefully and collectively agreed to underreport their actual borrowing costs in order to artificially and unlawfully suppress LIBOR. In so doing, they reaped massive profits from their enormous LIBOR-Based Derivatives positions, which directly benefited from their artificial suppression of LIBOR.

A. **The Defendants' Unlawful Manipulation Of LIBOR**

38. On December 12, 2007, the day after the Federal Reserve cut short-term interest rates for the third time that year in an effort to help ease the credit crunch and reduce the chances of an impending recession, The Wall Street Journal ("Journal") published an article predicting that continued worry over the credit crisis would effectively keep LIBOR rates high, even as other short-term interest rates would continue to fall. In fact, the Journal quoted one mortgage banker as stating that historically, in times of credit crisis, LIBOR rates have tended to spike.

39. Despite the Journal's prediction, in the early months of 2008, during the most significant financial crisis since the great depression, U.S. dollar-denominated LIBOR rates submitted by panel banks did not vary markedly, nor did they increase or decrease sharply. This fact did not correspond to traditional market behavior because in times of severe uncertainty, banks would normally be reluctant to lend to one another on an unsecured basis without receiving a higher risk premium.

40. In a market not artificially manipulated, LIBOR rates should have increased significantly during this period. In addition, because different panel banks were experiencing

different levels of economic stress, the panel banks should have been reporting markedly different borrowing rates. None of this was reflected in LIBOR rates reported by Defendants.

41. On April 16, 2008, the Journal published an article detailing the findings of a three month study it conducted into the borrowing rates of the 16 banks forming the U.S. dollar LIBOR panel. The Journal concluded that a number of banks – specifically Citibank, WestLB, HBOS, JP Morgan and UBS – had been reporting significantly lower borrowing costs than what other market measures suggest they should have been reporting. The Journal attributed this disparity to certain panel banks intentionally understating their borrowing rates.

42. The Journal's examination of the borrowing costs submitted by the panel banks during the first four months of 2008 indicated that the panel banks reported remarkably similar borrowing rates despite the fact that the banks were facing different financial stresses. For the first four months of 2008, for example, the three-month borrowing rates reported by the panel banks remained, on average, within a range of only .06 of a percentage point.

43. According to Professor Darrell Duffie, a Stanford University finance professor, the reported rates during the first four months of 2008 "[were] far too similar to be believed."

44. David Juran, a statistics professor at Columbia University who reviewed the Journal's methodology, concluded that the Journal's calculations demonstrate "very convincingly" that reported LIBOR rates are lower than what the market thinks they should be by a factor which well surpassed the threshold statisticians use to assess the significance of a result.

45. Following the Journal's April 16, 2008 report that the panel banks may be intentionally understating their borrowing rates, the BBA announced it would review LIBOR reporting process and remove any bank found to be reporting inaccurate rates from the panel.

46. In November 2007 and again in April 2008, the money market committee of the Bank of England raised questions about the integrity of LIBOR. The minutes of the committee's November 2007 meeting stated that, "several group members thought that Libor fixings had been lower than actual traded interbank rates." Minutes from the April, 2008 committee meeting noted that "U.S. dollar Libor rates had at times appeared lower than actual traded interbank rates." Similarly, Citigroup interest-rate strategist Scott Peng raised similar questions, writing that "Libor at times no longer represents the level at which banks extend loans to others."

47. On April 17, 2008, just days after the Journal published its analysis, there was a sudden jump in the U.S. dollar-denominated LIBOR. The benchmark dollar rate for three-month borrowing hit 2.1875% Thursday, or about .08 percentage points more than the 2.735% rate set on Wednesday.

48. Suspiciously, reported LIBOR rates for other currencies fell or remained relatively flat at the time the U.S. dollar LIBOR surged, a sign that the U.S. dollar LIBOR rate was susceptible to manipulation.

49. Notably, the significant move in the U.S. dollar-denominated LIBOR closely followed the BBA's announcement that it was accelerating its inquiry into the daily borrowing rates that banks provide to establish LIBOR rate.

50. The BBA's decision to speed up its inquiry was made in response to concerns expressed by bankers and the financial media that certain panel banks were not accurately reporting the rates they were paying for short-term loans.

51. In a note to clients the day after LIBOR surged, UBS strategist William O'Donnell suggested that the panel banks were responding to the heightened scrutiny, noting that

the BBA's announcement of its inquiry was an attempt "to bring publicly posted rates back into line with the shadow interbank money rate market."

52. At the time, William Porter, credit strategist at Credit Suisse, said he believed the three-month U.S. dollar LIBOR was .4 percentage points below where it should be. That echoed the view of Scott Peng, who concluded that LIBOR understated panel banks' true borrowing costs by as much as .3 percentage points.

B. Empirical Evidence Confirms Defendants' Manipulative and Conspiratorial Conduct

53. One of the unique characteristics of LIBOR's calculation is its opaqueness. The method for LIBOR calculation is only transparent to the extent that each panel bank reports to Reuters its borrowing rate and Reuters publicizes the rates and computes LIBOR. The internal calculations and methodology of the panel banks in determining their borrowing rates are unobservable to the public. This renders LIBOR susceptible to manipulation by Defendants. Since LIBOR is the basis for a large number of daily financial transactions, comparisons to observable market rates have historically been monitored.

54. In reaction to the media reports of LIBOR manipulation, various empirical studies have demonstrated that the aberrant behavior of LIBOR during the Class Period is suggestive of collective agreement amongst Defendants to manipulate and suppress LIBOR. During the Class Period, LIBOR deviated dramatically from its historic relationships with other economic indicators. This sudden and dramatic variation is consistent with the fact that LIBOR was in fact being manipulated by Defendants, as opposed to accurately reporting market characteristics.

1. LIBOR Diverges From Its Historical Relationship With The Eurodollar

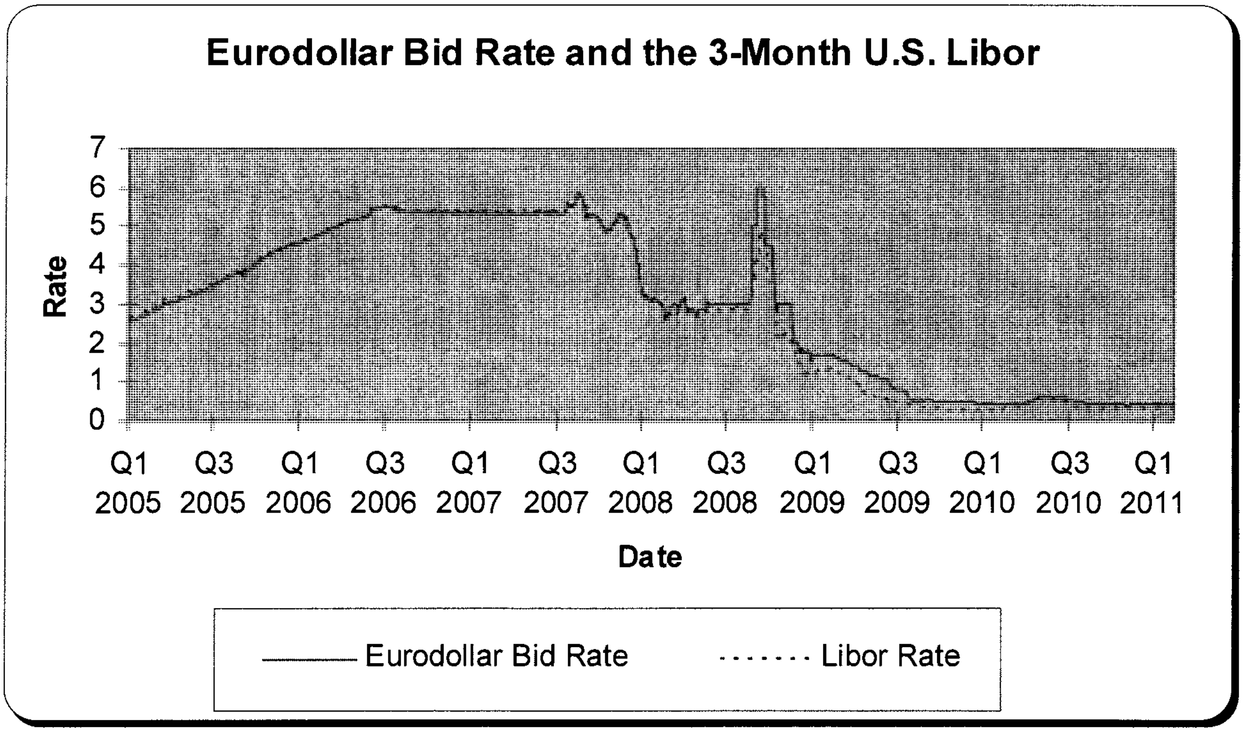
55. The U.S. dollar LIBOR, in effect, measures the interest rate offered to panel banks to borrow U.S. dollar deposits, also known as Eurodollars. Eurodollars are also traded in

the market, and the market rate for Eurodollars is commonly seen as the best market proxy for LIBOR. An analysis conducted by Connan Snider, a Professor at UCLA and Thomas Youle, emphasized that, prior to August 2007, the previous day's Eurodollar bid rate was a better predictor of LIBOR than the previous days LIBOR.

56. Historically, the difference between LIBOR and Eurodollar rate, known as LIBOR/Eurodollar spread (effectively LIBOR minus the Eurodollar bid rate), average 2.75 basis points.[1] The spread was almost always positive, meaning the Eurodollar rate was slightly lower, reflecting the measurement of LIBOR as an offer rate and the Eurodollar rate as a bid rate on U.S. dollar deposits. After August 2007, Defendants' manipulation and suppression of LIBOR resulted in a decoupling of LIBOR and the Eurodollar rate, and a reversal of the relationship so that the spread was negative. In the post manipulation period, the average spread was -24.70 basis points.

57. Even more indicative of Defendants' manipulation was that after August 2007, LIBOR/Eurodollar spread became strongly negative as opposed to the historical mildly positive relationship, as illustrated by the chart below. This change in the historical relationship is evidence of the downward manipulation of LIBOR. In some cases, LIBOR was 15 to 20 basis points lower than the Eurodollar market rate. In effect, LIBOR reported that banks were offering Eurodollars at a rate lower than market participants were actually buying them, a result that strongly indicates Defendants' manipulation of LIBOR.

[1] A "basis point" is a term commonly used to measure a financial instrument, interest rates. A basis point is equal to 1/100th of 1%. It is a commonly used term of measurement for financial instruments because daily rate changes are typically smaller than 1 percent, though small changes have huge financial effects.



58. When Snider and Youle performed the identical analysis for the period after August 2007, they found that the previous day's Eurodollar rate had less predictive power on LIBOR. In fact, as LIBOR dropped below the Eurodollar rate, the previous day's LIBOR became a better predictor of the current LIBOR. This demonstrates that LIBOR was no longer responding to market forces, but instead was the product of Defendants' manipulation.

2. LIBOR Diverges From Its Historical Relationship With Credit Default Swaps

59. A credit default swap ("CDS") is a swap contract and agreement in which the protection buyer of the CDS makes a series of payments (often referred to as the CDS "fee" or "spread") to the protection seller and, in exchange, receives a payment if the underlying credit instrument (typically a bond or loan) experiences a credit event. The spread serves as a measure of the perceived risk of default by the entity issuing the underlying bond or receiving the loan. The greater the risk of default on the underlying bond or loan, the greater the spread. In the case

of a CDS whose underlying instrument is an interbank loan in which a panel bank is the borrower, the greater the perceived risk that the panel bank will default on the loan, the higher its CDS spread.

60. CDSs are a useful benchmark for LIBOR because both CDSs and LIBOR are a measure of perceived credit risks. On May 29, 2008, Carrick Mollenkamp and Mark Whitehouse ("Mollenkamp and Whitehouse") published an article in the Journal, emphasizing significant disparities between certain panel banks' perceived risk in the CDS market and their LIBOR reporting. A higher CDS spread is indicative of a larger perceived risk in lending to an institution because it represents the cost of insuring against a default on that loan.

61. In their analysis, which followed Mollenkamp and Whitehouse, Snider and Youle performed two separate comparisons between LIBOR and CDSs to highlight inconsistencies in LIBOR reporting. First, they noted that a specific reporting bank may have a comparatively higher CDS spread than a second reporting bank (and therefore be perceived as comparatively "riskier"), while simultaneously having a lower LIBOR than the same bank (which would indicate that it is perceived as a "less risky" investment). For example, Citigroup consistently has a substantially higher CDS spread than the Bank of Tokyo – Mitsubishi, yet Citigroup reported comparatively lower LIBOR quotes. Mollenkamp and Whitehouse also noted the same pattern.

C. Inconsistencies With LIBOR Reporting By Individual Banks

62. A close examination of the borrowing rates reported by Defendants to Reuters for calculation of LIBOR during the Class period and each bank's incentive to manipulate LIBOR further evidences Defendants' conspiracy to manipulate and suppress LIBOR. For example, Alexandre Harthieser of ESCP Europe and Natixis Bank and Phillippe K. Spieser, Professor of

Finance at ESCP Europe, performed clustering analysis on the panel members' individual reporting and concluded that "a suspect cartel has been identified."

1. Panel Banks Report Inconsistent Rates Across Currencies

63. Panel Banks report LIBOR across different currencies each day. Since LIBOR is a measure of a bank's stability as an institution, absent manipulation, the comparative ranking of panel banks should largely be the same across different currencies (allowing for the variation in panel composition across currencies). A comparison of LIBOR across different currencies shows this is not consistently so.

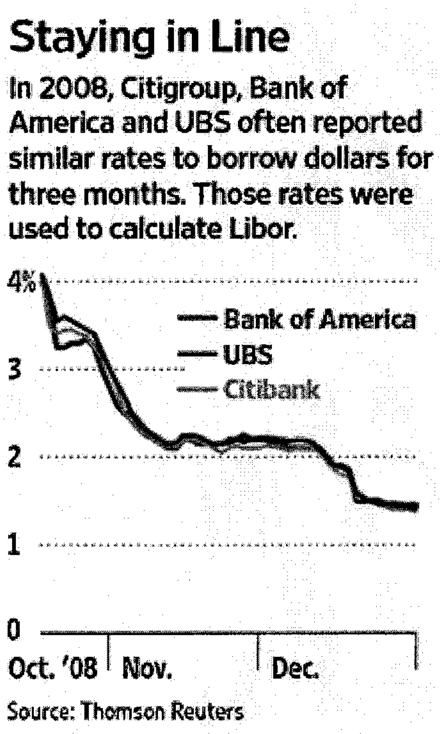
64. For example, Bank of America and Bank of Tokyo-Mitsubishi both report rates to Reuters for calculation of the U.S. dollar and Yen LIBOR. Over the manipulation period, it was common for Bank of America to simultaneously quote a lower rate than Bank of Tokyo-Mitsubishi in U.S. dollar LIBOR and a higher quote in the Yen LIBOR. Since institutional risk should be the same for each panel bank regardless of the what currency it is measured in, this indicates that the rates being reported do not accurately reflect market conditions and are an indication of manipulation.

2. Bunching

65. Throughout the Class Period, the rates reported by certain Defendants "bunch" around the fourth lowest quote each day. That is to say that the rates reported by those Defendants to Reuters were consistently near the fourth lowest of the 16 panel banks. Since Reuters, at the time, calculated LIBOR by removing the lowest (and highest) four reported rates everyday, bunching around the fourth lowest rate is suggestive that those Defendants collectively acted and colluded to suppress and manipulate LIBOR.

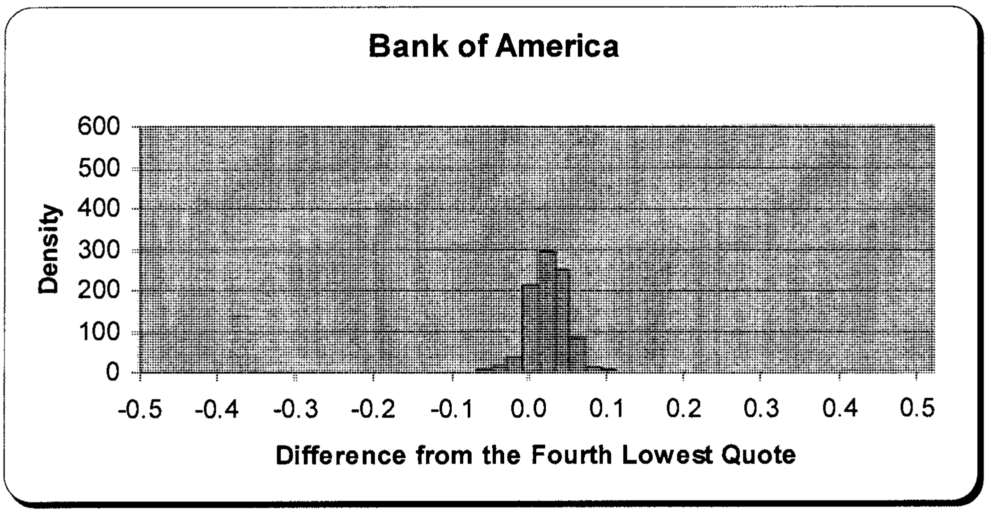
66. As an initial matter, bunching among Defendants' reported rates demonstrates that Defendants intended to report the same or similar rates. The individual variation between

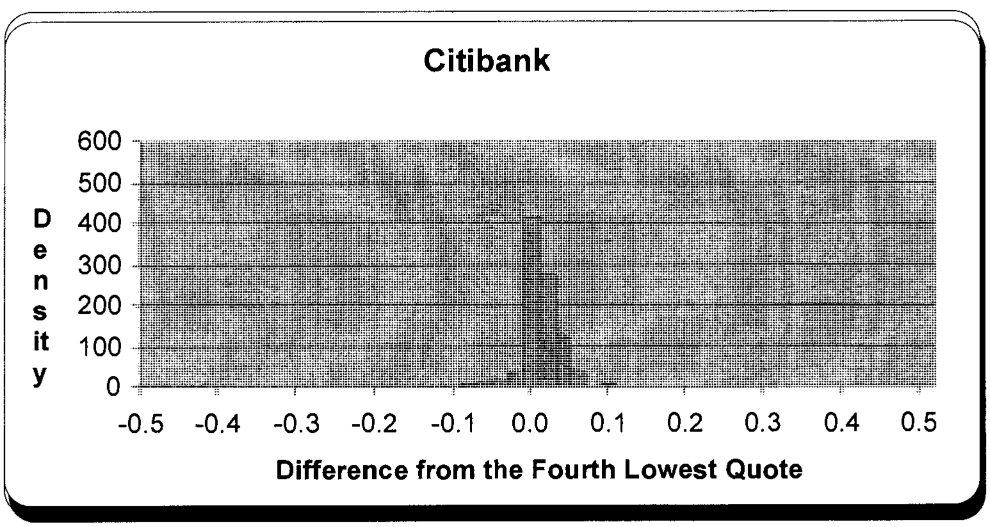
the financial situation of each reporting bank should lead to differences in the reported rates. The fact that, throughout the Class Period, Defendants repeatedly reported identical rates to Reuters is an indication that the Defendants were conspiring to manipulate LIBOR. The chart below, for example, indicates that, in late 2008, Bank of America, UBS and Citibank reported nearly identical rates to borrow dollars for three months.



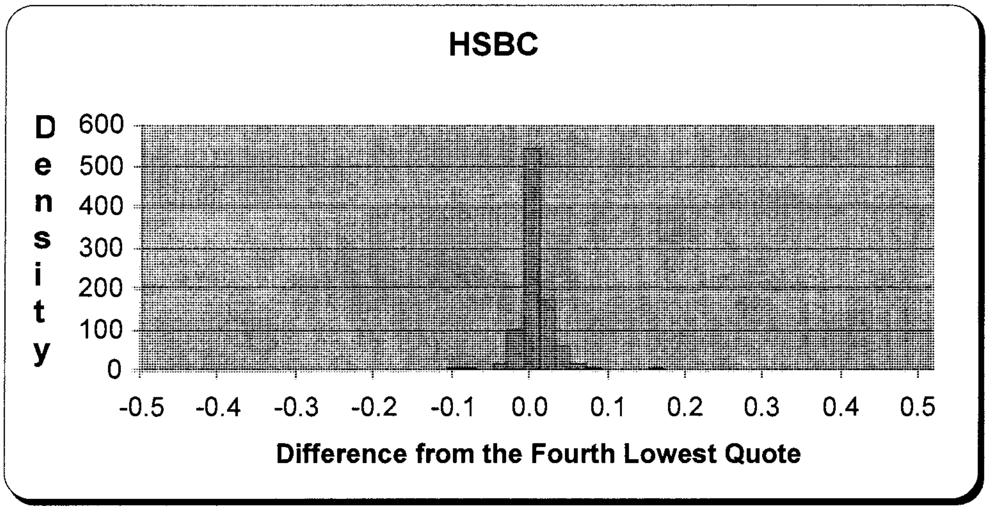
67. Further, certain Defendants' consistent bunching of their reported rates at or near the fourth lowest position is suggestive of their intent to artificially suppress LIBOR. This is because the fifth lowest quote is the lowest quote that is included by Reuters in calculating the day's LIBOR. Defendants' clustering at or near the fourth lowest rate ensures that the artificially low rates reported by Defendants will be included in the BBA's daily calculation resulting in the artificial suppression of LIBOR.

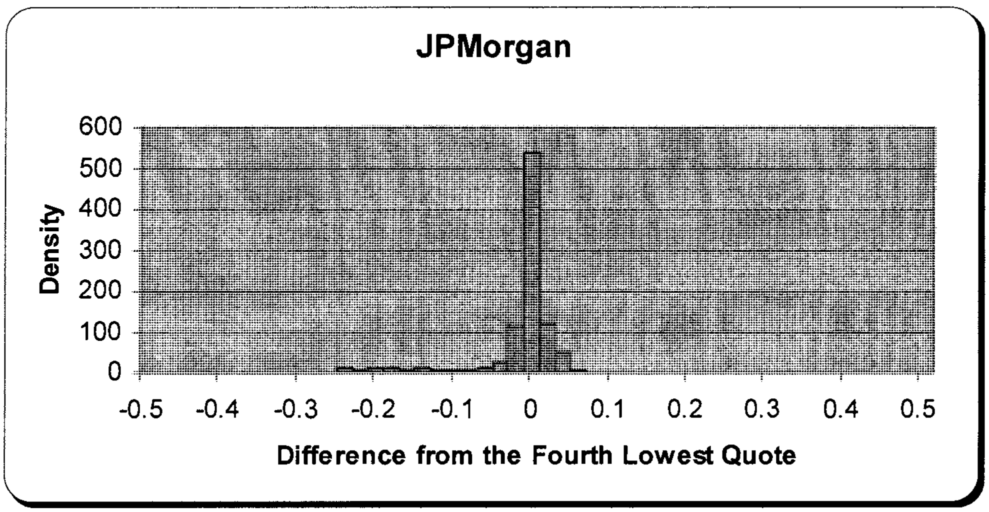
68. The following charts of daily U.S. dollar LIBOR reported rates show the frequency with which Defendants Bank of America, Citibank, HSBC, and JP Morgan reported within a given percentage rate from the 4th lowest quote. A negative difference means that they were below the 4th lowest quote, and therefore not included in the daily LIBOR calculation. Zero difference means that they either were the 4th lowest quote on a given day or tied at the same value as the 4th lowest quote.[2]





[2] If there is a tie between LIBOR quotes on a given day, one of the banks' quotes is discarded at random.





69. While bunching is reflective of Defendants' intention to report the lowest borrowing rate to be calculated by Reuters, *i.e.*, the fifth lowest borrowing rate, this does not suggest that the panel banks reporting the four lowest quotes (quotes that are discarded by Reuters) are not members of the conspiracy. Due to the mechanics of LIBOR calculation, there will always be discounted outliers. If all of the panel banks reported the same low rate, the lowest four would always be discounted. Therefore by bunching quoted rates around the 4th lowest rate, the panel banks ensured the maximum downward manipulation.

3. Defendants Had Significant Incentives to Manipulate LIBOR

70. Defendants held significant financial positions in LIBOR-Based Derivatives, such as in exchange-traded futures contracts and in over-the-counter Interest Rate Swaps, providing them incentive to suppress LIBOR. Defendants' positions in Interest Rate Swaps, for example, were so large throughout the Class Period, that even a small unhedged exposure to LIBOR-Based Derivatives would create enormous financial incentives for Defendants to manipulate LIBOR. Furthermore, when LIBOR experienced a significant drop in Q1 2009, Defendants reaped billions of dollars in profits. It was no accident that Defendants experienced sharply increased profits in their Interest Rate Swap positions at the time LIBOR fell – Defendants purposely took positions in Interest Rate Swaps, which benefited from their suppression of LIBOR. Upon information and belief, throughout the Class Period, Defendants' manipulation and suppression of LIBOR benefited their other LIBOR-Based derivative positions as well.

71. As a result of these incentives Defendants' trading positions came to dominate their reporting obligations to the BBA. A Financial Times article reports, for example, that Barclays is currently under investigation by the regulatory authorities of the United States and the United Kingdom for violating "Chinese Wall" rules which restrict information sharing between different parts of the bank. Barclays' treasury department submits its daily borrowing costs to the BBA and is walled-off from its traders. Barclays is being investigated regarding communications between its traders and its treasury department which improperly influenced the daily submission process.

III. Governmental Investigations

72. Defendants' conspiracy to manipulate and make artificial LIBOR-Based Derivatives during the Class Period has spurred investigations by numerous government regulatory agencies into the reporting practices of various banks on the U.S. dollar panel.

73. The regulatory investigations were first publicly disclosed on March 15, 2011, when UBS disclosed in its annual report that it had received subpoenas from the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the United States Department of Justice, as well as an information request from the Japanese Financial Supervisory Agency, relating to its reporting of lending rates to Reuters for calculation of LIBOR. UBS's disclosure states that the focus of the investigations is "whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate LIBOR at certain times." Other Defendants have subsequently disclosed that they are subject to investigation by regulatory authorities related to LIBOR. On August 1, 2011, for example, HSBC released its 2011 Interim Results and Barclays released its Half-Yearly Report in the United Kingdom, each disclosing that they were under investigation by various regulatory authorities around the World. Barclays specifically identified investigations by the United Kingdom Financial Services Authority, the Commodity Futures Trading Commission, the Securities and Exchange Commission, the Department of Justice Fraud Section of the Criminal Division and Antitrust Division' and the European Commission. The Journal has reported that the investigators are looking into whether the banks effectively formed a global cartel and coordinated how to report borrowing costs between 2006 and 2008.

74. A Financial Times article published the same day as UBS's disclosure reported that the three U.S. agencies the Japanese Financial Supervisory Agency and the United Kingdom's Financial Services Authority had also requested information, and had begun interviewing witnesses, connected to Defendants for several months.

75. On July 26, 2011, the Financial Times reported that investigators had expanded their probe to include yen-based LIBOR and the Tokyo interbank offered rate ("TIBOR"). In its

results announcement made that day, UBS confirmed that the investigation's scope had widened and disclosed that it had received "conditional leniency and conditional immunity" from the United States Department of Justice for turning over information on the setting of yen-based LIBOR and of the Tokyo interbank offered rate ("TIBOR"). UBS said that while its immunity stretched to the yen-based LIBOR and the TIBOR the deal did not bar the Department of Justice or other "government agencies from asserting other claims against us". The Antitrust Division's leniency policies were established for corporations and individuals "reporting their illegal antitrust activity" and the policies protect leniency recipients from criminal conviction. Notably, each of the Defendants from 2006 to 2009 were members of the yen-based LIBOR panel.

76. Latham & Watkins LLP has observed that the coordinated antitrust investigations in the United States, EU, UK, and Japan indicate that the enforcers are cooperating with each other and that the antitrust investigations may have been triggered by one of the banks taking advantage of the Antitrust Division's Corporate Leniency Policy, as well as other leniency policies around the globe.

FRAUDULENT CONCEALMENT

77. By its very nature, the unlawful activity, as alleged herein, that Defendants engaged in was self-concealing. Defendants, *inter alia*, conspired and engaged in secret and surreptitious activities in order to manipulate LIBOR.

78. Defendants fraudulently concealed their participation in their conspiracy to manipulate LIBOR by, among other things, engaging in secret meetings and communications in furtherance of the conspiracies. Because of such fraudulent concealment, and the fact that a conspiracy in restraint of trade is inherently self-concealing, Plaintiff and the members of the

Class could not have discovered the existence of Defendants' conspiracy and manipulation any earlier than public disclosures thereof.

79. Defendants agreed among themselves not to discuss publicly or otherwise reveal the nature and substance of the acts and communications in furtherance of their illegal conspiracy and manipulation.

80. Defendants' actions in fraudulently concealing their illegal conspiracy caused the BBA, the organization that owns and administers LIBOR, to issue a number of statements defending the integrity of LIBOR.

81. For instance, in a statement issued in May 2008, in response to published reports suggesting that Defendants had artificially suppressed LIBOR as evidenced by the decoupling of LIBOR from the CDS market, a BBA spokeswoman announced that there was "no indication" that the default-insurance market provides a more accurate picture of banks' borrowing costs than LIBOR.

82. In June 2009, John Ewan, director of the BBA, represented that LIBOR was "not a false signal to the markets." Even as recently as March 2011, in response to UBS's disclosure that it was the subject of government investigations in connection with Defendants' suppression of LIBOR, the BBA issued a statement characterizing LIBOR as an "accurate and reliable benchmark[]."

83. Plaintiff and members of the Class were lulled into believing that the returns on their LIBOR-Based Derivatives were the result of market conditions, rather than the product of Defendants' manipulation and collusive activities.

84. Because of Defendants' active steps, including fraudulent concealment of their conspiracy to prevent Plaintiffs and members of the Classes from suing them for the

anticompetitive activities alleged in this Complaint, Defendants are equitably estopped from asserting that any otherwise applicable limitations period has run.

DEFENDANTS' ANTITRUST VIOLATIONS

85. Beginning at least as early as August 1, 2007, and continuing until at least the date of the filing of the Complaint, the exact dates being unknown to Plaintiff, Defendants and their co-conspirators engaged in a continuing agreement, understanding, or conspiracy in restraint of trade to artificially fix, maintain, suppress and stabilize LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them.

86. In formulating and effectuating the contract, combination, or conspiracy, Defendants and their co-conspirators engaged in anticompetitive activities, the purpose and effect of which were to fix, maintain, suppress and otherwise make artificial the price of LIBOR-Based Derivatives. These activities included the following:

(a) Defendants participated in meetings and/or conversations to unlawfully discuss their reporting of their borrowing rates to Reuters for calculation of the daily LIBOR;

(b) Defendants agreed during those meetings and conversations to unlawfully report their borrowing rates to Reuters for calculation of LIBOR in order to drive down LIBOR and otherwise to depress or make artificial LIBOR;

(c) Defendants signaled to one another their intention to depress or otherwise make artificial LIBOR and colluded with one another in achieving this unlawful and anticompetitive purpose; and

(d) Pursuant to such an unlawful conspiracy in restraint of trade, Defendants knowingly and collusively traded in order to depress or otherwise make artificial the price of LIBOR-Based Derivatives.

ALLEGATIONS OF ANTITRUST INJURY TO PLAINTIFF AND THE CLASS

87. Defendants' anticompetitive conduct had severe adverse consequences on competition in that Plaintiff and other members of the Class who traded in LIBOR-Based Derivatives during the Class Period were trading at artificially determined prices that were made artificial as a result of Defendants' unlawful conduct. As a consequence thereof, Plaintiff and the Class suffered financial losses and were, therefore, injured in their business or property.

COUNT ONE

VIOLATIONS OF SECTION 1 OF THE SHERMAN ACT

88. Plaintiff incorporates by reference the preceding allegations.

89. Defendants and their unnamed co-conspirators entered into and engaged in a conspiracy in unreasonable restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act.

90. During the Class Period, Defendants controlled what LIBOR rate would be reported and therefore controlled the rates of return on LIBOR-Based Derivatives sold by them.

91. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained, suppressed and stabilized LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them. Defendants' conspiracy is a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade and commerce.

92. Defendants' conspiracy, and resulting impact on the market for LIBOR-Based Derivatives, occurred in or affected interstate and foreign commerce.

93. As a proximate result of Defendants' unlawful conduct, Plaintiff and members of the Class have suffered injury to their business or property.

94. Plaintiff and members of the Class are each entitled to treble damages for the violations of the Sherman Act alleged herein.

COUNT TWO

UNJUST ENRICHMENT AND RESTITUTION

95. Plaintiff incorporates by reference the preceding allegations.

96. It would be inequitable for Defendants to be permitted to retain the benefit which Defendants obtained from their manipulative acts and at the expense of Plaintiff and members of the Class.

97. Plaintiff and members of the Class are entitled to the establishment of a constructive trust impressed on the benefits to Defendants from their unjust enrichment and inequitable conduct.

98. Alternatively or additionally each Defendant should pay restitution or its own unjust enrichment to Plaintiff and members of the Class.

RELIEF SOUGHT

Accordingly, Plaintiff demands relief as follows:

A. That the Court determine that this action may be maintained as a class action under Rule 23(b)(3) of the Federal Rules of Civil Procedure, that Plaintiff be appointed as class representative, and that Plaintiff's counsel be appointed as counsel for the Class;

B. That the unlawful conduct alleged herein be adjudged and decreed to be an unlawful restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act;

C. That Defendants, their subsidiaries, affiliates, successors, transferees, assignees and the respective officers, directors, partners, agents, and employees and all other persons acting or claiming to act on their behalf, be permanently enjoined and restrained from continuing and maintaining the conspiracy alleged in the Complaint;

D. That Plaintiff and the Class recover damages, as provided under federal antitrust laws, and that a joint and several judgment in favor of Plaintiff and the Class be entered against Defendants in an amount to be trebled in accordance with such laws;

E. That Plaintiff and the Class recover their costs of the suit, including attorneys' fees, as provided by law; and

F. That the Court direct such further relief it may deem just and proper.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38(a) of the Federal Rules of Civil Procedure, Plaintiff demands a jury trial as to all issues triable by a jury.

Dated: August 3, 2011

Respectfully submitted,

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Counsel for Plaintiff and the Proposed Class

LIBOR

Item ID:	31770
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Subject:	LIBOR
Sent:	September 7, 2012 9:29 AM
Received:	September 7, 2012 9:29 AM

Hi Old Salt, You will see the invitation as soon as I line up a date and time. I realized that what I sent last night was pretty matter of fact. If you want the FITREP version to send around (his strategic situational awareness and tactical proficiency allowed him to grasp the implications of initial press reports for the Enterprises literally weeks before anyone else at FHFA, the Enterprises, or FHFA-OIG; his analytical skills and initiative drove an informative, well-written initial memorandum within days of the Barclays reports; he has personally identified a high-profile issue worth potentially over a billion dollars to FHFA and established himself as a valuable and authoritative resource not only within FHFA-OIG, but with colleagues across the Government), just let me know. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

FW: LIBOR and the GSEs

Item ID:	31774
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted] </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=45ad7effd12a4beeb3be31b646cc60d6-[redacted]
Subject:	FW: LIBOR and the GSEs
Sent:	September 7, 2012 9:32 AM
Received:	September 7, 2012 9:32 AM

Hi [redacted], Happy to discuss if you like. Please keep this email within FHFA-OIG. Tim From: Lee, Timothy Sent: Thursday, September 06, 2012 4:34 PM To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov); stephen.cross@fhfa.gov; fred.graham@fhfa.gov; Sciacca, Christie (Christie.Sciacca@fhfa.gov) Subject: LIBOR and the GSEs Hi Jon, Steve, Fred, Christie and Nina, Following up from our meeting, please find several files attached as additional background. · The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprises' net "receive floating" interest rate swaps positions, relative to the "fair" amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge [redacted] · The Baltimore LIBOR complaint is also attached; it defines "Class" on page 5, paragraph 23. [redacted] They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1

LIBOR proposal.xlsx

Original view

2 pages (displayed on pages 3 to 4)

Cash Flow Shortfall from LIBOR Suppression

Enterprises Interest Rate Swaps

dollars in millions

Swap Notic	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10
Fannie Mae							
Pay Fixed S	546,916	620,850	650,447	435,693	382,600	315,857	317,259
Less: Recei	451,081	549,823	571,802	340,384	275,417	229,293	234,901
Plus: Basis	24,560	19,815	22,200	11,000	3,225	3,220	3,020
Net Receiv	120,395	90,842	100,845	106,309	110,408	89,784	85,378
Freddie Mac							
Less: Rece	266,685	336,207	284,244	320,458	271,403	255,940	349,545
Plus: Pay F	404,359	342,747	401,904	414,776	382,259	382,145	386,194
Plus: Basis Swaps		82,090	51,065	51,615	52,045	54,070	53,910
Net Receiv	137,674	88,630	168,725	145,933	162,901	180,275	90,559
Enterprises							
Net Receiv	258,069	179,472	269,570	252,242	273,309	270,059	175,937
Swap Cash Flow Shortfall - Quarterly Totals							
0.10%	64.5	44.9	67.4	63.1	68.3	67.5	44.0
0.20%	129.0	89.7	134.8	126.1	136.7	135.0	88.0
0.30%	193.6	134.6	202.2	189.2	205.0	202.5	132.0
0.40%	258.1	179.5	269.6	252.2	273.3	270.1	175.9
Swap Cash Flow Shortfall - Cumulative							
0.10%	64.5	109.4	176.8	239.8	308.2	375.7	419.7
0.20%	129.0	218.8	353.6	479.7	616.3	751.4	839.3
0.30%	193.6	328.2	530.3	719.5	924.5	1,127.0	1,259.0
0.40%	258.1	437.5	707.1	959.4	1,232.7	1,502.7	1,678.7

30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	30-Jun-12
296,877	277,227	270,250	205,084	193,882	186,757	206,307	229,227
233,613	224,177	214,777	161,151	179,808	229,695	250,322	265,593
2,485	485	1,565	2,552	6,997	9,622	18,673	20,922
65,749	53,535	57,038	46,485	21,071	(33,316)	(25,342)	(15,444)
316,574	324,590	249,793	215,758	220,668	211,808	248,453	260,428
363,668	394,294	330,015	321,870	293,683	289,335	296,573	292,660
2,775	2,375	3,375	3,275	2,275	2,750	2,400	2,350
49,869	72,079	83,597	109,387	75,290	80,277	50,520	34,582
115,618	125,614	140,635	155,872	96,361	46,961	25,178	19,138
28.9	31.4	35.2	39.0	24.1	11.7	6.3	4.8
57.8	62.8	70.3	77.9	48.2	23.5	12.6	9.6
86.7	94.2	105.5	116.9	72.3	35.2	18.9	14.4
115.6	125.6	140.6	155.9	96.4	47.0	25.2	19.1
448.6	480.0	515.1	554.1	578.2	589.9	596.2	601.0
897.1	959.9	1,030.3	1,108.2	1,156.4	1,179.9	1,192.4	1,202.0
1,345.7	1,439.9	1,545.4	1,662.3	1,734.6	1,769.8	1,788.7	1,803.0
1,794.3	1,919.9	2,060.5	2,216.4	2,312.8	2,359.7	2,384.9	2,404.0

Attachment #2

(b) (6) [redacted].vcf

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Attachment #3

LIBOR_Baltimore initial complaint.pdf

Original view

28 pages (displayed on pages 8 to 35)

11 CIV 5450

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

MAYOR AND CITY COUNCIL OF BALTIMORE, on behalf of itself and all others similarly situated,

Plaintiff,

vs.

BANK OF AMERICA CORPORATION; BARCLAYS BANK PLC; CITIBANK NA; HSBC HOLDINGS PLC; J.P. MORGAN CHASE & CO.; LLOYDS BANKING GROUP PLC; UBS AG; and WESTLB AG.,

Defendants.

Case No. ______________

CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL ANTITRUST LAWS

JURY TRIAL DEMANDED

Plaintiff Mayor and City Council of Baltimore ("Baltimore" or "Plaintiff"), on behalf of itself and all others similarly situated, brings this action against defendants Bank of America Corporation, Barclays Bank plc, Citibank NA, HSBC Holdings plc, JP Morgan Chase & Co., Lloyds Banking Group plc, UBS AG, and WestLB AG (collectively, "Defendants") and alleges as follows:

NATURE OF CLAIM

1. This action arises from Defendants' conspiracy to unlawfully manipulate the London Interbank Offered Rate for the U.S. dollar ("LIBOR") from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased, in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

2. As alleged herein, during the Class Period (defined below), Defendants conspired to and did suppress and manipulate LIBOR throughout the Class Period.

3. Owned and administered by the British Bankers Association ("BBA"), LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

4. Every morning by 11:10 a.m. London time, the individual banks on the U.S. dollar LIBOR panel send data to Thompson Reuters Group ("Reuters"), a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

5. Throughout the Class Period, Defendants were members of the U.S. dollar LIBOR panel. Pursuant to their illegal conspiracy, Defendants knowingly and purposely submitted borrowing rates to Reuters that were below their true borrowing costs in order to suppress and manipulate LIBOR.

6. Defendants devised and executed their scheme to manipulate LIBOR in order to benefit their financial positions. Throughout the Class Period, Defendants sold financial products which tied rates of return to LIBOR. By manipulating LIBOR, Defendants paid lower returns to customers who bought those financial products.

7. Defendants' manipulation of LIBOR directly caused and resulted in an artificially lower LIBOR during the Class Period.

8. Defendants' conspiracy to suppress LIBOR violates Section 1 of the Sherman Act, 15 U.S.C. § 1. Plaintiff and members of the Class suffered damages by purchasing directly from Defendants during the Class Period financial products that had rates of return tied to LIBOR ("LIBOR-Based Derivatives"), as more fully alleged herein.

JURISDICTION AND VENUE

9. This action arises under Section 1 of the Sherman Act, 15 U.S.C., § 1, and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

10. This Court has jurisdiction under 28 U.S.C. §§ 1331 and 1337 and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

11. Venue is proper in this District pursuant to Sections 4, 12 and 16 of the Clayton Act, 15 U.S.C. §§ 15, 22 and 26 and 28 U.S.C. § 1391(b), (c) and (d). One or more of the Defendants resided, transacted business, were found, or had agents in the District, a substantial part of the events giving rise to Plaintiff's claims arose in the District, and a substantial portion of the affected interstate trade and commerce described herein has been carried out in this District.

PARTIES

12. During the Class Period, Plaintiff Baltimore purchased tens of millions of dollars worth of Interest Rate Swaps directly from at least one Defendant in which the rate of return was tied to LIBOR and was injured as a result of Defendants' anticompetitive conduct.

13. Defendant Bank of America Corporation ("Bank of America") is a Delaware corporation headquartered in Charlotte, North Carolina. During the Class Period, Bank of America was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

14. Defendant Barclays Bank plc ("Barclays") is a British public limited company headquartered in London, England. During the Class Period, Barclays was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

15. Defendant Citibank NA ("Citibank") is a wholly-owned subsidiary of the United States financial services corporation Citigroup, Inc., which is headquartered in New York, New York. During the Class Period, Citibank was a member of the British Bankers' Associations' U.S. dollar LIBOR panel.

16. Defendant HSBC Holdings plc ("HSBC Holdings") is a United Kingdom public company with its corporate headquarters in London, England. During the Class Period, HSBC was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

17. Defendant J.P. Morgan Chase & Co. ("JP Morgan") is a Delaware financial holding company headquartered in New York, New York. During the Class Period, JP Morgan was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

18. Defendant Lloyds Banking Group plc ("Lloyds") is a United Kingdom public limited company with its corporate headquarters in London, England. Lloyds was formed in 2009 through the acquisition of HBOS plc ("HBOS") and Lloyds TSB Bank plc ("Lloyds TSB"). During the Class Period, both HBOS and Lloyds TSB were members of the British Bankers' Association's U.S. dollar LIBOR panel.

19. Defendant UBS AG ("UBS") is a Swiss company based in Basel and Zurich, Switzerland. During the Class Period, UBS was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

20. Defendant WestLB AG ("WestLB") is a German joint stock company headquartered in Dusseldorf, Germany. During the Class Period, WestLB was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

UNNAMED CO-CONSPIRATORS

21. Various other entities and individuals not named as Defendants in this Complaint participated as co-conspirators in the acts complained of, and performed acts and made statements which aided and abetted and was in furtherance of the unlawful conduct alleged herein.

THE RELEVANT MARKET

22. The relevant market is LIBOR-Based Derivatives sold directly by Defendants.

CLASS ACTION ALLEGATIONS

23. Plaintiff brings this action as a class action under Rules 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure, on behalf of itself and all others similarly situated. The "Class" is defined as:

> All persons or entities other than Defendants and their employees, affiliates, parents, subsidiaries or co-conspirators (whether or not named in this Complaint) who purchased LIBOR-Based Derivatives directly from Defendants, including their subsidiaries and/or affiliates, from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased.

24. The Class is so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time, Plaintiff is informed and

believes that at least thousands of geographically dispersed Class members purchased LIBOR-Based Derivatives directly from Defendants during the Class Period.

25. Plaintiff's claims are typical of the claims of the other members of the Class. Plaintiff and the members of the Class sustained damages arising out of Defendants' common course of conduct in violation of law as complained herein. The injuries and damages of each member of the Class were directly caused by Defendants' wrongful conduct in violation of the antitrust laws as alleged herein.

26. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class action litigation, including antitrust class action litigation.

27. Common questions of law and fact exist as to all members of the Class which predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether Defendants conspired with others to artificially suppress LIBOR in violation of the Sherman Act;

(b) Whether Defendants' conduct had an anticompetitive and manipulative effect on LIBOR during the Class Period;

(c) Whether Defendants' conduct negatively affected the rates of return of LIBOR-Based Derivatives purchased directly from the Defendants during the Class Period; and

(d) The appropriate measure of damages for the injury sustained by Plaintiff and other members of the Class as a result of Defendants' unlawful activities.

28. A class action is superior to other available methods for the fair and efficient adjudication of this controversy because joinder of all Class members is impracticable. The

prosecution of separate actions by individual members of the Class would impose heavy burdens upon the courts and Defendants, and would create a risk of inconsistent or varying adjudications of the questions of law and fact common to the Class. A class action, on the other hand, would achieve substantial economies of time, effort and expense, and would assure uniformity of decision as to persons similarly situated without sacrificing procedural fairness or bringing about other undesirable results.

29. The interest of members of the Class in individually controlling the prosecution of separate actions is theoretical rather than practical. The Class has a high degree of cohesion, and prosecution of the action through representatives would be unobjectionable. The amounts at stake for Class members, while substantial in the aggregate, are not great enough individually to enable them to maintain separate suits against Defendants. Plaintiff does not anticipate any difficulty in the management of this action as a class action.

FACTUAL ALLEGATIONS

I. Background

A. Overview of LIBOR

30. Administered and owned by the BBA, LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

31. Every morning by 11:10 a.m. London time, the individual banks on the U.S. Dollar LIBOR panel send data to Reuters, a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates

public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. Dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

B. LIBOR-Based Derivatives

32. LIBOR is the primary benchmark for short-term interest rates globally.

33. According to the BBA, "the objectivity and accuracy of the [LIBOR] rates allowed derivatives to be created based on the data as a reference, and this has flourished to become an enormously successful cornerstone of business transacted in London and worldwide."

34. The perceived integrity of LIBOR allows many derivative products to be priced based on LIBOR. About $350 trillion worth of financial products globally reference LIBOR. To the extent that LIBOR is mispriced, these derivatives are also mispriced.

II. Defendants Unlawfully Conspired to Suppress and Manipulate LIBOR

35. In August, 2007, LIBOR began behaving erratically. Overnight, LIBOR began a period in which it dramatically decoupled from other financial indicators that had historically functioned as benchmarks. Reports initially assumed that low liquidity and increased credit risk endemic to the financial crisis were the likely contributing factors to the aberrant behavior of LIBOR. Subsequent examination reflects that Defendants were conspiring to artificially manipulate LIBOR to the benefit of their LIBOR-Based Derivatives positions.

36. As set forth below, Defendants' conspiracy to manipulate LIBOR throughout the Class Period is evidenced by several forms of analysis. During the Class Period, LIBOR shattered its historical relationships with various economic benchmarks, signifying that it was no longer representative of external market forces and was a result of manipulation by the

Defendants. Additionally, LIBOR has been shown to respond to external criticism, demonstrating that it was intentionally manipulated by Defendants, as opposed to reflecting an objective report of market conditions.

37. An examination of Defendants' LIBOR quotes reveals inconsistencies among Defendants' reporting across currencies and on a day-to-day basis, which supports the fact that Defendants purposefully and collectively agreed to underreport their actual borrowing costs in order to artificially and unlawfully suppress LIBOR. In so doing, they reaped massive profits from their enormous LIBOR-Based Derivatives positions, which directly benefited from their artificial suppression of LIBOR.

A. The Defendants' Unlawful Manipulation Of LIBOR

38. On December 12, 2007, the day after the Federal Reserve cut short-term interest rates for the third time that year in an effort to help ease the credit crunch and reduce the chances of an impending recession, The Wall Street Journal ("Journal") published an article predicting that continued worry over the credit crisis would effectively keep LIBOR rates high, even as other short-term interest rates would continue to fall. In fact, the Journal quoted one mortgage banker as stating that historically, in times of credit crisis, LIBOR rates have tended to spike.

39. Despite the Journal's prediction, in the early months of 2008, during the most significant financial crisis since the great depression, U.S. dollar-denominated LIBOR rates submitted by panel banks did not vary markedly, nor did they increase or decrease sharply. This fact did not correspond to traditional market behavior because in times of severe uncertainty, banks would normally be reluctant to lend to one another on an unsecured basis without receiving a higher risk premium.

40. In a market not artificially manipulated, LIBOR rates should have increased significantly during this period. In addition, because different panel banks were experiencing

different levels of economic stress, the panel banks should have been reporting markedly different borrowing rates. None of this was reflected in LIBOR rates reported by Defendants.

41. On April 16, 2008, the Journal published an article detailing the findings of a three month study it conducted into the borrowing rates of the 16 banks forming the U.S. dollar LIBOR panel. The Journal concluded that a number of banks – specifically Citibank, WestLB, HBOS, JP Morgan and UBS – had been reporting significantly lower borrowing costs than what other market measures suggest they should have been reporting. The Journal attributed this disparity to certain panel banks intentionally understating their borrowing rates.

42. The Journal's examination of the borrowing costs submitted by the panel banks during the first four months of 2008 indicated that the panel banks reported remarkably similar borrowing rates despite the fact that the banks were facing different financial stresses. For the first four months of 2008, for example, the three-month borrowing rates reported by the panel banks remained, on average, within a range of only .06 of a percentage point.

43. According to Professor Darrell Duffie, a Stanford University finance professor, the reported rates during the first four months of 2008 "[were] far too similar to be believed."

44. David Juran, a statistics professor at Columbia University who reviewed the Journal's methodology, concluded that the Journal's calculations demonstrate "very convincingly" that reported LIBOR rates are lower than what the market thinks they should be by a factor which well surpassed the threshold statisticians use to assess the significance of a result.

45. Following the Journal's April 16, 2008 report that the panel banks may be intentionally understating their borrowing rates, the BBA announced it would review LIBOR reporting process and remove any bank found to be reporting inaccurate rates from the panel.

46. In November 2007 and again in April 2008, the money market committee of the Bank of England raised questions about the integrity of LIBOR. The minutes of the committee's November 2007 meeting stated that, "several group members thought that Libor fixings had been lower than actual traded interbank rates." Minutes from the April, 2008 committee meeting noted that "U.S. dollar Libor rates had at times appeared lower than actual traded interbank rates." Similarly, Citigroup interest-rate strategist Scott Peng raised similar questions, writing that "Libor at times no longer represents the level at which banks extend loans to others."

47. On April 17, 2008, just days after the Journal published its analysis, there was a sudden jump in the U.S. dollar-denominated LIBOR. The benchmark dollar rate for three-month borrowing hit 2.1875% Thursday, or about .08 percentage points more than the 2.735% rate set on Wednesday.

48. Suspiciously, reported LIBOR rates for other currencies fell or remained relatively flat at the time the U.S. dollar LIBOR surged, a sign that the U.S. dollar LIBOR rate was susceptible to manipulation.

49. Notably, the significant move in the U.S. dollar-denominated LIBOR closely followed the BBA's announcement that it was accelerating its inquiry into the daily borrowing rates that banks provide to establish LIBOR rate.

50. The BBA's decision to speed up its inquiry was made in response to concerns expressed by bankers and the financial media that certain panel banks were not accurately reporting the rates they were paying for short-term loans.

51. In a note to clients the day after LIBOR surged, UBS strategist William O'Donnell suggested that the panel banks were responding to the heightened scrutiny, noting that

the BBA's announcement of its inquiry was an attempt "to bring publicly posted rates back into line with the shadow interbank money rate market."

52. At the time, William Porter, credit strategist at Credit Suisse, said he believed the three-month U.S. dollar LIBOR was .4 percentage points below where it should be. That echoed the view of Scott Peng, who concluded that LIBOR understated panel banks' true borrowing costs by as much as .3 percentage points.

B. Empirical Evidence Confirms Defendants' Manipulative and Conspiratorial Conduct

53. One of the unique characteristics of LIBOR's calculation is its opaqueness. The method for LIBOR calculation is only transparent to the extent that each panel bank reports to Reuters its borrowing rate and Reuters publicizes the rates and computes LIBOR. The internal calculations and methodology of the panel banks in determining their borrowing rates are unobservable to the public. This renders LIBOR susceptible to manipulation by Defendants. Since LIBOR is the basis for a large number of daily financial transactions, comparisons to observable market rates have historically been monitored.

54. In reaction to the media reports of LIBOR manipulation, various empirical studies have demonstrated that the aberrant behavior of LIBOR during the Class Period is suggestive of collective agreement amongst Defendants to manipulate and suppress LIBOR. During the Class Period, LIBOR deviated dramatically from its historic relationships with other economic indicators. This sudden and dramatic variation is consistent with the fact that LIBOR was in fact being manipulated by Defendants, as opposed to accurately reporting market characteristics.

1. LIBOR Diverges From Its Historical Relationship With The Eurodollar

55. The U.S. dollar LIBOR, in effect, measures the interest rate offered to panel banks to borrow U.S. dollar deposits, also known as Eurodollars. Eurodollars are also traded in

the market, and the market rate for Eurodollars is commonly seen as the best market proxy for LIBOR. An analysis conducted by Connan Snider, a Professor at UCLA and Thomas Youle, emphasized that, prior to August 2007, the previous day's Eurodollar bid rate was a better predictor of LIBOR than the previous days LIBOR.

56. Historically, the difference between LIBOR and Eurodollar rate, known as LIBOR/Eurodollar spread (effectively LIBOR minus the Eurodollar bid rate), average 2.75 basis points.[1] The spread was almost always positive, meaning the Eurodollar rate was slightly lower, reflecting the measurement of LIBOR as an offer rate and the Eurodollar rate as a bid rate on U.S. dollar deposits. After August 2007, Defendants' manipulation and suppression of LIBOR resulted in a decoupling of LIBOR and the Eurodollar rate, and a reversal of the relationship so that the spread was negative. In the post manipulation period, the average spread was -24.70 basis points.

57. Even more indicative of Defendants' manipulation was that after August 2007, LIBOR/Eurodollar spread became strongly negative as opposed to the historical mildly positive relationship, as illustrated by the chart below. This change in the historical relationship is evidence of the downward manipulation of LIBOR. In some cases, LIBOR was 15 to 20 basis points lower than the Eurodollar market rate. In effect, LIBOR reported that banks were offering Eurodollars at a rate lower than market participants were actually buying them, a result that strongly indicates Defendants' manipulation of LIBOR.

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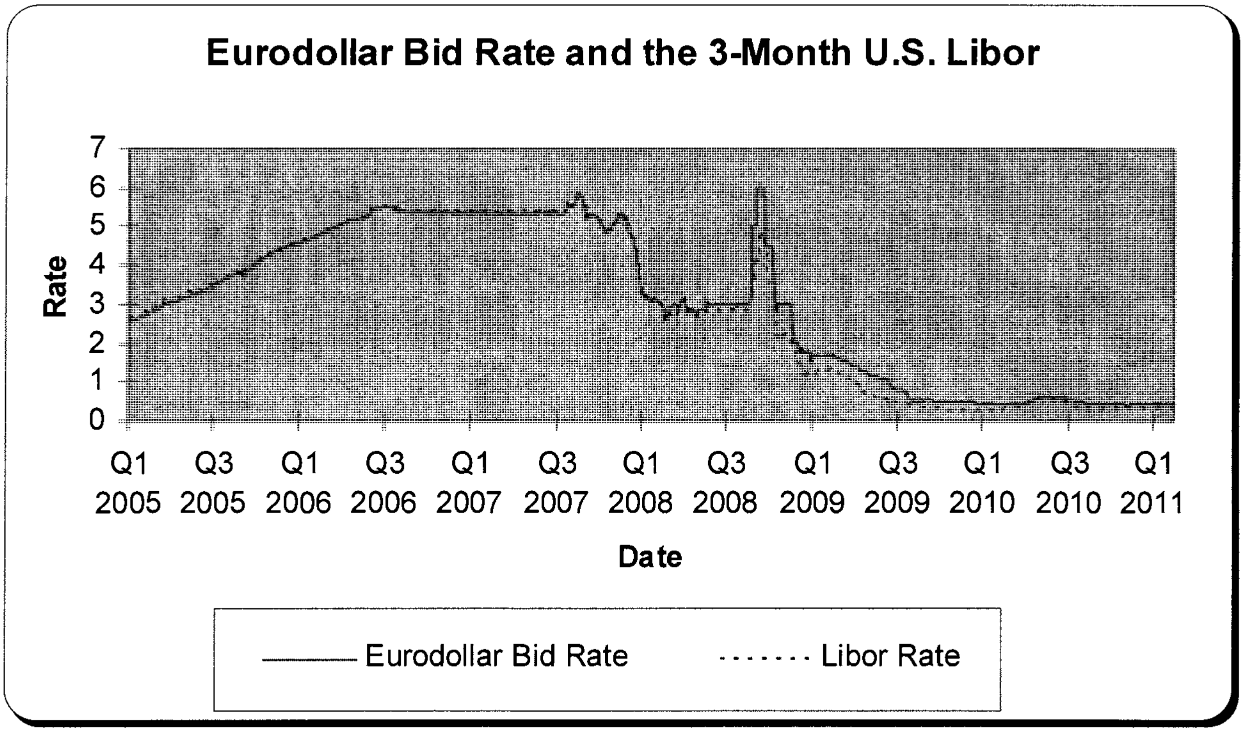
[1] A "basis point" is a term commonly used to measure a financial instrument, interest rates. A basis point is equal to 1/100th of 1%. It is a commonly used term of measurement for financial instruments because daily rate changes are typically smaller than 1 percent, though small changes have huge financial effects.



58. When Snider and Youle performed the identical analysis for the period after August 2007, they found that the previous day's Eurodollar rate had less predictive power on LIBOR. In fact, as LIBOR dropped below the Eurodollar rate, the previous day's LIBOR became a better predictor of the current LIBOR. This demonstrates that LIBOR was no longer responding to market forces, but instead was the product of Defendants' manipulation.

2. LIBOR Diverges From Its Historical Relationship With Credit Default Swaps

59. A credit default swap ("CDS") is a swap contract and agreement in which the protection buyer of the CDS makes a series of payments (often referred to as the CDS "fee" or "spread") to the protection seller and, in exchange, receives a payment if the underlying credit instrument (typically a bond or loan) experiences a credit event. The spread serves as a measure of the perceived risk of default by the entity issuing the underlying bond or receiving the loan. The greater the risk of default on the underlying bond or loan, the greater the spread. In the case

of a CDS whose underlying instrument is an interbank loan in which a panel bank is the borrower, the greater the perceived risk that the panel bank will default on the loan, the higher its CDS spread.

60. CDSs are a useful benchmark for LIBOR because both CDSs and LIBOR are a measure of perceived credit risks. On May 29, 2008, Carrick Mollenkamp and Mark Whitehouse ("Mollenkamp and Whitehouse") published an article in the Journal, emphasizing significant disparities between certain panel banks' perceived risk in the CDS market and their LIBOR reporting. A higher CDS spread is indicative of a larger perceived risk in lending to an institution because it represents the cost of insuring against a default on that loan.

61. In their analysis, which followed Mollenkamp and Whitehouse, Snider and Youle performed two separate comparisons between LIBOR and CDSs to highlight inconsistencies in LIBOR reporting. First, they noted that a specific reporting bank may have a comparatively higher CDS spread than a second reporting bank (and therefore be perceived as comparatively "riskier"), while simultaneously having a lower LIBOR than the same bank (which would indicate that it is perceived as a "less risky" investment). For example, Citigroup consistently has a substantially higher CDS spread than the Bank of Tokyo – Mitsubishi, yet Citigroup reported comparatively lower LIBOR quotes. Mollenkamp and Whitehouse also noted the same pattern.

C. Inconsistencies With LIBOR Reporting By Individual Banks

62. A close examination of the borrowing rates reported by Defendants to Reuters for calculation of LIBOR during the Class period and each bank's incentive to manipulate LIBOR further evidences Defendants' conspiracy to manipulate and suppress LIBOR. For example, Alexandre Harthieser of ESCP Europe and Natixis Bank and Phillippe K. Spieser, Professor of

Finance at ESCP Europe, performed clustering analysis on the panel members' individual reporting and concluded that "a suspect cartel has been identified."

1. <u>Panel Banks Report Inconsistent Rates Across Currencies</u>

63. Panel Banks report LIBOR across different currencies each day. Since LIBOR is a measure of a bank's stability as an institution, absent manipulation, the comparative ranking of panel banks should largely be the same across different currencies (allowing for the variation in panel composition across currencies). A comparison of LIBOR across different currencies shows this is not consistently so.

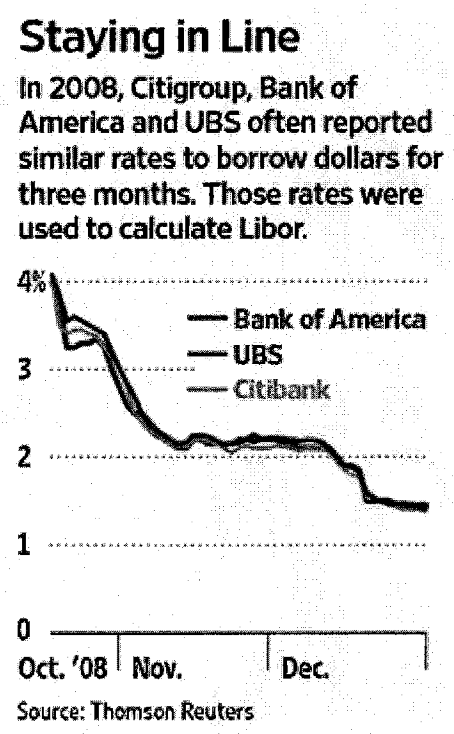
64. For example, Bank of America and Bank of Tokyo-Mitsubishi both report rates to Reuters for calculation of the U.S. dollar and Yen LIBOR. Over the manipulation period, it was common for Bank of America to simultaneously quote a lower rate than Bank of Tokyo-Mitsubishi in U.S. dollar LIBOR and a higher quote in the Yen LIBOR. Since institutional risk should be the same for each panel bank regardless of the what currency it is measured in, this indicates that the rates being reported do not accurately reflect market conditions and are an indication of manipulation.

2. <u>Bunching</u>

65. Throughout the Class Period, the rates reported by certain Defendants "bunch" around the fourth lowest quote each day. That is to say that the rates reported by those Defendants to Reuters were consistently near the fourth lowest of the 16 panel banks. Since Reuters, at the time, calculated LIBOR by removing the lowest (and highest) four reported rates everyday, bunching around the fourth lowest rate is suggestive that those Defendants collectively acted and colluded to suppress and manipulate LIBOR.

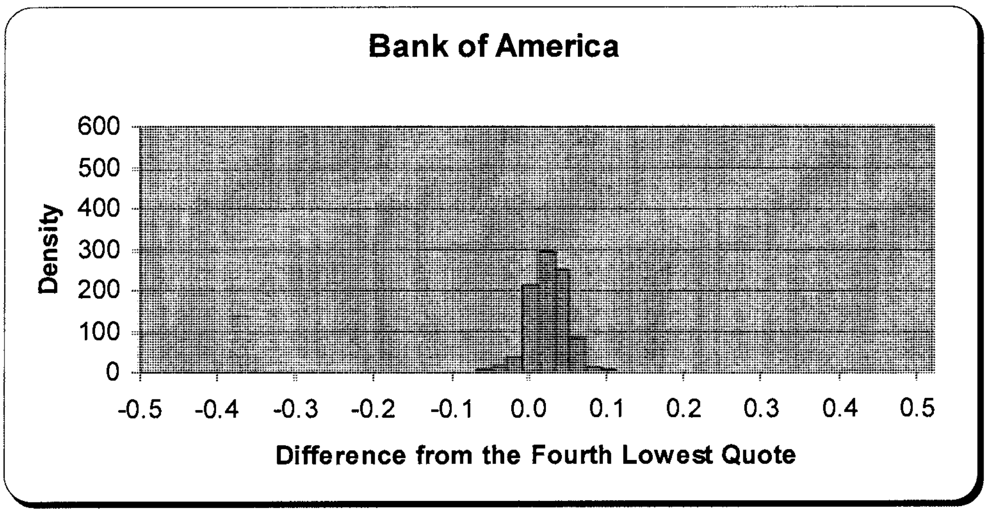
66. As an initial matter, bunching among Defendants' reported rates demonstrates that Defendants intended to report the same or similar rates. The individual variation between

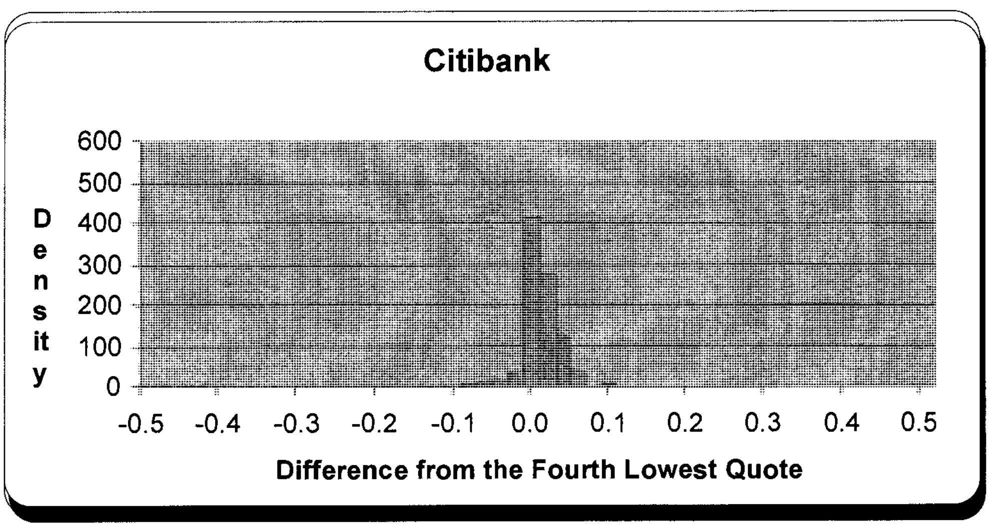
the financial situation of each reporting bank should lead to differences in the reported rates. The fact that, throughout the Class Period, Defendants repeatedly reported identical rates to Reuters is an indication that the Defendants were conspiring to manipulate LIBOR. The chart below, for example, indicates that, in late 2008, Bank of America, UBS and Citibank reported nearly identical rates to borrow dollars for three months.



67. Further, certain Defendants' consistent bunching of their reported rates at or near the fourth lowest position is suggestive of their intent to artificially suppress LIBOR. This is because the fifth lowest quote is the lowest quote that is included by Reuters in calculating the day's LIBOR. Defendants' clustering at or near the fourth lowest rate ensures that the artificially low rates reported by Defendants will be included in the BBA's daily calculation resulting in the artificial suppression of LIBOR.

68. The following charts of daily U.S. dollar LIBOR reported rates show the frequency with which Defendants Bank of America, Citibank, HSBC, and JP Morgan reported within a given percentage rate from the 4th lowest quote. A negative difference means that they were below the 4th lowest quote, and therefore not included in the daily LIBOR calculation. Zero difference means that they either were the 4th lowest quote on a given day or tied at the same value as the 4th lowest quote.[2]





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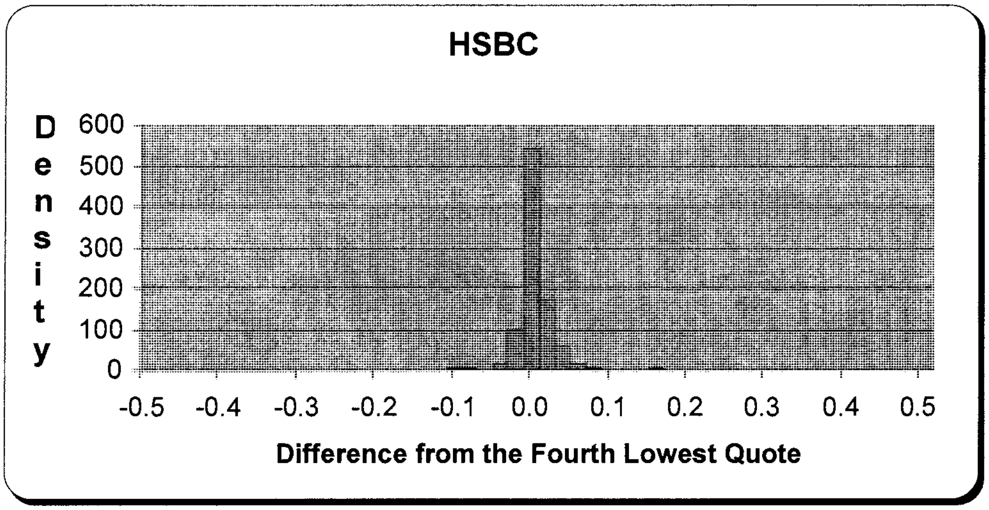
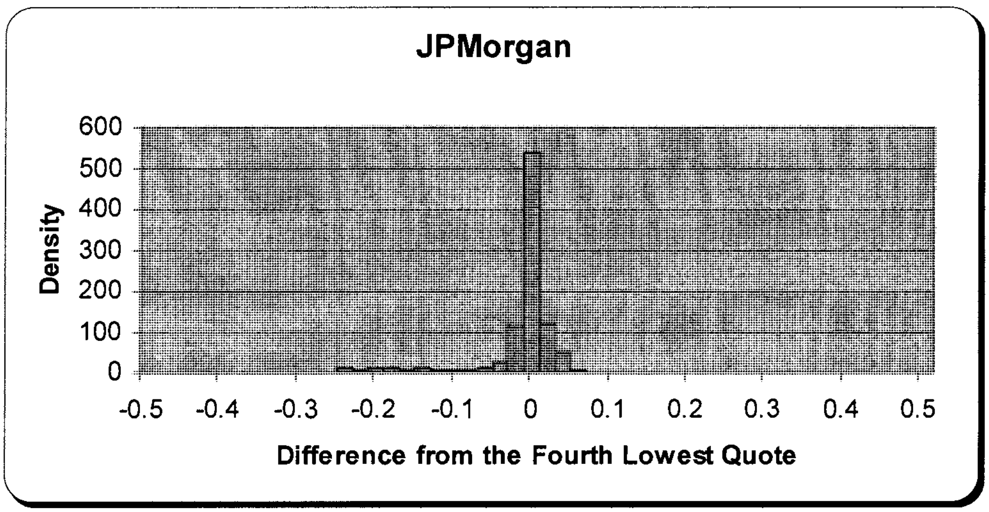
[2] If there is a tie between LIBOR quotes on a given day, one of the banks' quotes is discarded at random.





69. While bunching is reflective of Defendants' intention to report the lowest borrowing rate to be calculated by Reuters, *i.e.*, the fifth lowest borrowing rate, this does not suggest that the panel banks reporting the four lowest quotes (quotes that are discarded by Reuters) are not members of the conspiracy. Due to the mechanics of LIBOR calculation, there will always be discounted outliers. If all of the panel banks reported the same low rate, the lowest four would always be discounted. Therefore by bunching quoted rates around the 4th lowest rate, the panel banks ensured the maximum downward manipulation.

3. Defendants Had Significant Incentives to Manipulate LIBOR

70. Defendants held significant financial positions in LIBOR-Based Derivatives, such as in exchange-traded futures contracts and in over-the-counter Interest Rate Swaps, providing them incentive to suppress LIBOR. Defendants' positions in Interest Rate Swaps, for example, were so large throughout the Class Period, that even a small unhedged exposure to LIBOR-Based Derivatives would create enormous financial incentives for Defendants to manipulate LIBOR. Furthermore, when LIBOR experienced a significant drop in Q1 2009, Defendants reaped billions of dollars in profits. It was no accident that Defendants experienced sharply increased profits in their Interest Rate Swap positions at the time LIBOR fell – Defendants purposely took positions in Interest Rate Swaps, which benefited from their suppression of LIBOR. Upon information and belief, throughout the Class Period, Defendants' manipulation and suppression of LIBOR benefited their other LIBOR-Based derivative positions as well.

71. As a result of these incentives Defendants' trading positions came to dominate their reporting obligations to the BBA. A Financial Times article reports, for example, that Barclays is currently under investigation by the regulatory authorities of the United States and the United Kingdom for violating "Chinese Wall" rules which restrict information sharing between different parts of the bank. Barclays' treasury department submits its daily borrowing costs to the BBA and is walled-off from its traders. Barclays is being investigated regarding communications between its traders and its treasury department which improperly influenced the daily submission process.

III. Governmental Investigations

72. Defendants' conspiracy to manipulate and make artificial LIBOR-Based Derivatives during the Class Period has spurred investigations by numerous government regulatory agencies into the reporting practices of various banks on the U.S. dollar panel.

73. The regulatory investigations were first publicly disclosed on March 15, 2011, when UBS disclosed in its annual report that it had received subpoenas from the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the United States Department of Justice, as well as an information request from the Japanese Financial Supervisory Agency, relating to its reporting of lending rates to Reuters for calculation of LIBOR. UBS's disclosure states that the focus of the investigations is "whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate LIBOR at certain times." Other Defendants have subsequently disclosed that they are subject to investigation by regulatory authorities related to LIBOR. On August 1, 2011, for example, HSBC released its 2011 Interim Results and Barclays released its Half-Yearly Report in the United Kingdom, each disclosing that they were under investigation by various regulatory authorities around the World. Barclays specifically identified investigations by the United Kingdom Financial Services Authority, the Commodity Futures Trading Commission, the Securities and Exchange Commission, the Department of Justice Fraud Section of the Criminal Division and Antitrust Division' and the European Commission. The Journal has reported that the investigators are looking into whether the banks effectively formed a global cartel and coordinated how to report borrowing costs between 2006 and 2008.

74. A Financial Times article published the same day as UBS's disclosure reported that the three U.S. agencies the Japanese Financial Supervisory Agency and the United Kingdom's Financial Services Authority had also requested information, and had begun interviewing witnesses, connected to Defendants for several months.

75. On July 26, 2011, the Financial Times reported that investigators had expanded their probe to include yen-based LIBOR and the Tokyo interbank offered rate ("TIBOR"). In its

results announcement made that day, UBS confirmed that the investigation's scope had widened and disclosed that it had received "conditional leniency and conditional immunity" from the United States Department of Justice for turning over information on the setting of yen-based LIBOR and of the Tokyo interbank offered rate ("TIBOR"). UBS said that while its immunity stretched to the yen-based LIBOR and the TIBOR the deal did not bar the Department of Justice or other "government agencies from asserting other claims against us". The Antitrust Division's leniency policies were established for corporations and individuals "reporting their illegal antitrust activity" and the policies protect leniency recipients from criminal conviction. Notably, each of the Defendants from 2006 to 2009 were members of the yen-based LIBOR panel.

76. Latham & Watkins LLP has observed that the coordinated antitrust investigations in the United States, EU, UK, and Japan indicate that the enforcers are cooperating with each other and that the antitrust investigations may have been triggered by one of the banks taking advantage of the Antitrust Division's Corporate Leniency Policy, as well as other leniency policies around the globe.

FRAUDULENT CONCEALMENT

77. By its very nature, the unlawful activity, as alleged herein, that Defendants engaged in was self-concealing. Defendants, *inter alia*, conspired and engaged in secret and surreptitious activities in order to manipulate LIBOR.

78. Defendants fraudulently concealed their participation in their conspiracy to manipulate LIBOR by, among other things, engaging in secret meetings and communications in furtherance of the conspiracies. Because of such fraudulent concealment, and the fact that a conspiracy in restraint of trade is inherently self-concealing, Plaintiff and the members of the

Class could not have discovered the existence of Defendants' conspiracy and manipulation any earlier than public disclosures thereof.

79. Defendants agreed among themselves not to discuss publicly or otherwise reveal the nature and substance of the acts and communications in furtherance of their illegal conspiracy and manipulation.

80. Defendants' actions in fraudulently concealing their illegal conspiracy caused the BBA, the organization that owns and administers LIBOR, to issue a number of statements defending the integrity of LIBOR.

81. For instance, in a statement issued in May 2008, in response to published reports suggesting that Defendants had artificially suppressed LIBOR as evidenced by the decoupling of LIBOR from the CDS market, a BBA spokeswoman announced that there was "no indication" that the default-insurance market provides a more accurate picture of banks' borrowing costs than LIBOR.

82. In June 2009, John Ewan, director of the BBA, represented that LIBOR was "not a false signal to the markets." Even as recently as March 2011, in response to UBS's disclosure that it was the subject of government investigations in connection with Defendants' suppression of LIBOR, the BBA issued a statement characterizing LIBOR as an "accurate and reliable benchmark[]."

83. Plaintiff and members of the Class were lulled into believing that the returns on their LIBOR-Based Derivatives were the result of market conditions, rather than the product of Defendants' manipulation and collusive activities.

84. Because of Defendants' active steps, including fraudulent concealment of their conspiracy to prevent Plaintiffs and members of the Classes from suing them for the

anticompetitive activities alleged in this Complaint, Defendants are equitably estopped from asserting that any otherwise applicable limitations period has run.

DEFENDANTS' ANTITRUST VIOLATIONS

85. Beginning at least as early as August 1, 2007, and continuing until at least the date of the filing of the Complaint, the exact dates being unknown to Plaintiff, Defendants and their co-conspirators engaged in a continuing agreement, understanding, or conspiracy in restraint of trade to artificially fix, maintain, suppress and stabilize LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them.

86. In formulating and effectuating the contract, combination, or conspiracy, Defendants and their co-conspirators engaged in anticompetitive activities, the purpose and effect of which were to fix, maintain, suppress and otherwise make artificial the price of LIBOR-Based Derivatives. These activities included the following:

(a) Defendants participated in meetings and/or conversations to unlawfully discuss their reporting of their borrowing rates to Reuters for calculation of the daily LIBOR;

(b) Defendants agreed during those meetings and conversations to unlawfully report their borrowing rates to Reuters for calculation of LIBOR in order to drive down LIBOR and otherwise to depress or make artificial LIBOR;

(c) Defendants signaled to one another their intention to depress or otherwise make artificial LIBOR and colluded with one another in achieving this unlawful and anticompetitive purpose; and

(d) Pursuant to such an unlawful conspiracy in restraint of trade, Defendants knowingly and collusively traded in order to depress or otherwise make artificial the price of LIBOR-Based Derivatives.

ALLEGATIONS OF ANTITRUST INJURY TO PLAINTIFF AND THE CLASS

87. Defendants' anticompetitive conduct had severe adverse consequences on competition in that Plaintiff and other members of the Class who traded in LIBOR-Based Derivatives during the Class Period were trading at artificially determined prices that were made artificial as a result of Defendants' unlawful conduct. As a consequence thereof, Plaintiff and the Class suffered financial losses and were, therefore, injured in their business or property.

COUNT ONE

VIOLATIONS OF SECTION 1 OF THE SHERMAN ACT

88. Plaintiff incorporates by reference the preceding allegations.

89. Defendants and their unnamed co-conspirators entered into and engaged in a conspiracy in unreasonable restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act.

90. During the Class Period, Defendants controlled what LIBOR rate would be reported and therefore controlled the rates of return on LIBOR-Based Derivatives sold by them.

91. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained, suppressed and stabilized LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them. Defendants' conspiracy is a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade and commerce.

92. Defendants' conspiracy, and resulting impact on the market for LIBOR-Based Derivatives, occurred in or affected interstate and foreign commerce.

93. As a proximate result of Defendants' unlawful conduct, Plaintiff and members of the Class have suffered injury to their business or property.

94. Plaintiff and members of the Class are each entitled to treble damages for the violations of the Sherman Act alleged herein.

COUNT TWO

UNJUST ENRICHMENT AND RESTITUTION

95. Plaintiff incorporates by reference the preceding allegations.

96. It would be inequitable for Defendants to be permitted to retain the benefit which Defendants obtained from their manipulative acts and at the expense of Plaintiff and members of the Class.

97. Plaintiff and members of the Class are entitled to the establishment of a constructive trust impressed on the benefits to Defendants from their unjust enrichment and inequitable conduct.

98. Alternatively or additionally each Defendant should pay restitution or its own unjust enrichment to Plaintiff and members of the Class.

RELIEF SOUGHT

Accordingly, Plaintiff demands relief as follows:

A. That the Court determine that this action may be maintained as a class action under Rule 23(b)(3) of the Federal Rules of Civil Procedure, that Plaintiff be appointed as class representative, and that Plaintiff's counsel be appointed as counsel for the Class;

B. That the unlawful conduct alleged herein be adjudged and decreed to be an unlawful restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act;

C. That Defendants, their subsidiaries, affiliates, successors, transferees, assignees and the respective officers, directors, partners, agents, and employees and all other persons acting or claiming to act on their behalf, be permanently enjoined and restrained from continuing and maintaining the conspiracy alleged in the Complaint;

D. That Plaintiff and the Class recover damages, as provided under federal antitrust laws, and that a joint and several judgment in favor of Plaintiff and the Class be entered against Defendants in an amount to be trebled in accordance with such laws;

E. That Plaintiff and the Class recover their costs of the suit, including attorneys' fees, as provided by law; and

F. That the Court direct such further relief it may deem just and proper.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38(a) of the Federal Rules of Civil Procedure, Plaintiff demands a jury trial as to all issues triable by a jury.

Dated: August 3, 2011

Respectfully submitted,

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Facsimile: (202) 540-7201

Counsel for Plaintiff and the Proposed Class

FW: LIBOR and the GSEs

Item ID:	31778
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Conlon, Paul </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=bb38913146504c409ec131657444fceb-Paul Conlon>
Cc:	[redacted] </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=[redacted]>
Subject:	FW: LIBOR and the GSEs
Sent:	September 7, 2012 9:33 AM
Received:	September 7, 2012 9:33 AM

Hi Paul, FYI Tim From: Lee, Timothy Sent: Thursday, September 06, 2012 4:34 PM To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov); stephen.cross@fhfa.gov; fred.graham@fhfa.gov; Sciacca, Christie (Christie.Sciacca@fhfa.gov) Subject: LIBOR and the GSEs Hi Jon, Steve, Fred, Christie and Nina, Following up from our meeting, please find several files attached as additional background. · The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprises' net "receive floating" interest rate swaps positions, relative to the "fair" amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge [redacted] The Baltimore LIBOR complaint is also attached; it defines "Class" on page 5, paragraph 23. [redacted] They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1

LIBOR proposal.xlsx

Original view

2 pages (displayed on pages 3 to 4)

Cash Flow Shortfall from LIBOR Suppression
Enterprises Interest Rate Swaps
dollars in millions

Swap Notic	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10
Fannie Mae							
Pay Fixed S	546,916	620,850	650,447	435,693	382,600	315,857	317,259
Less: Recei	451,081	549,823	571,802	340,384	275,417	229,293	234,901
Plus: Basis	24,560	19,815	22,200	11,000	3,225	3,220	3,020
Net Receiv	120,395	90,842	100,845	106,309	110,408	89,784	85,378
Freddie Mac							
Less: Rece	266,685	336,207	284,244	320,458	271,403	255,940	349,545
Plus: Pay F	404,359	342,747	401,904	414,776	382,259	382,145	386,194
Plus: Basis Swaps		82,090	51,065	51,615	52,045	54,070	53,910
Net Receiv	137,674	88,630	168,725	145,933	162,901	180,275	90,559
Enterprises							
Net Receiv	258,069	179,472	269,570	252,242	273,309	270,059	175,937
Swap Cash Flow Shortfall - Quarterly Totals							
0.10%	64.5	44.9	67.4	63.1	68.3	67.5	44.0
0.20%	129.0	89.7	134.8	126.1	136.7	135.0	88.0
0.30%	193.6	134.6	202.2	189.2	205.0	202.5	132.0
0.40%	258.1	179.5	269.6	252.2	273.3	270.1	175.9
Swap Cash Flow Shortfall - Cumulative							
0.10%	64.5	109.4	176.8	239.8	308.2	375.7	419.7
0.20%	129.0	218.8	353.6	479.7	616.3	751.4	839.3
0.30%	193.6	328.2	530.3	719.5	924.5	1,127.0	1,259.0
0.40%	258.1	437.5	707.1	959.4	1,232.7	1,502.7	1,678.7

30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	30-Jun-12
296,877	277,227	270,250	205,084	193,882	186,757	206,307	229,227
233,613	224,177	214,777	161,151	179,808	229,695	250,322	265,593
2,485	485	1,565	2,552	6,997	9,622	18,673	20,922
65,749	53,535	57,038	46,485	21,071	(33,316)	(25,342)	(15,444)
316,574	324,590	249,793	215,758	220,668	211,808	248,453	260,428
363,668	394,294	330,015	321,870	293,683	289,335	296,573	292,660
2,775	2,375	3,375	3,275	2,275	2,750	2,400	2,350
49,869	72,079	83,597	109,387	75,290	80,277	50,520	34,582
115,618	125,614	140,635	155,872	96,361	46,961	25,178	19,138
28.9	31.4	35.2	39.0	24.1	11.7	6.3	4.8
57.8	62.8	70.3	77.9	48.2	23.5	12.6	9.6
86.7	94.2	105.5	116.9	72.3	35.2	18.9	14.4
115.6	125.6	140.6	155.9	96.4	47.0	25.2	19.1
448.6	480.0	515.1	554.1	578.2	589.9	596.2	601.0
897.1	959.9	1,030.3	1,108.2	1,156.4	1,179.9	1,192.4	1,202.0
1,345.7	1,439.9	1,545.4	1,662.3	1,734.6	1,769.8	1,788.7	1,803.0
1,794.3	1,919.9	2,060.5	2,216.4	2,312.8	2,359.7	2,384.9	2,404.0

Attachment #2

[redacted].vcf

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Washington DC 20004
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Attachment #3

LIBOR_Baltimore initial complaint.pdf

Original view

28 pages (displayed on pages 8 to 35)

11 CIV 5450

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

MAYOR AND CITY COUNCIL OF BALTIMORE, on behalf of itself and all others similarly situated, Plaintiff, vs. BANK OF AMERICA CORPORATION; BARCLAYS BANK PLC; CITIBANK NA; HSBC HOLDINGS PLC; J.P. MORGAN CHASE & CO.; LLOYDS BANKING GROUP PLC; UBS AG; and WESTLB AG., Defendants.	Case No. ____________ **CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL ANTITRUST LAWS** **JURY TRIAL DEMANDED**

Plaintiff Mayor and City Council of Baltimore ("Baltimore" or "Plaintiff"), on behalf of itself and all others similarly situated, brings this action against defendants Bank of America Corporation, Barclays Bank plc, Citibank NA, HSBC Holdings plc, JP Morgan Chase & Co., Lloyds Banking Group plc, UBS AG, and WestLB AG (collectively, "Defendants") and alleges as follows:

NATURE OF CLAIM

1. This action arises from Defendants' conspiracy to unlawfully manipulate the London Interbank Offered Rate for the U.S. dollar ("LIBOR") from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased, in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

2. As alleged herein, during the Class Period (defined below), Defendants conspired to and did suppress and manipulate LIBOR throughout the Class Period.

3. Owned and administered by the British Bankers Association ("BBA"), LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

4. Every morning by 11:10 a.m. London time, the individual banks on the U.S. dollar LIBOR panel send data to Thompson Reuters Group ("Reuters"), a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

5. Throughout the Class Period, Defendants were members of the U.S. dollar LIBOR panel. Pursuant to their illegal conspiracy, Defendants knowingly and purposely submitted borrowing rates to Reuters that were below their true borrowing costs in order to suppress and manipulate LIBOR.

6. Defendants devised and executed their scheme to manipulate LIBOR in order to benefit their financial positions. Throughout the Class Period, Defendants sold financial products which tied rates of return to LIBOR. By manipulating LIBOR, Defendants paid lower returns to customers who bought those financial products.

7. Defendants' manipulation of LIBOR directly caused and resulted in an artificially lower LIBOR during the Class Period.

8. Defendants' conspiracy to suppress LIBOR violates Section 1 of the Sherman Act, 15 U.S.C. § 1. Plaintiff and members of the Class suffered damages by purchasing directly from Defendants during the Class Period financial products that had rates of return tied to LIBOR ("LIBOR-Based Derivatives"), as more fully alleged herein.

JURISDICTION AND VENUE

9. This action arises under Section 1 of the Sherman Act, 15 U.S.C., § 1, and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

10. This Court has jurisdiction under 28 U.S.C. §§ 1331 and 1337 and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

11. Venue is proper in this District pursuant to Sections 4, 12 and 16 of the Clayton Act, 15 U.S.C. §§ 15, 22 and 26 and 28 U.S.C. § 1391(b), (c) and (d). One or more of the Defendants resided, transacted business, were found, or had agents in the District, a substantial part of the events giving rise to Plaintiff's claims arose in the District, and a substantial portion of the affected interstate trade and commerce described herein has been carried out in this District.

PARTIES

12. During the Class Period, Plaintiff Baltimore purchased tens of millions of dollars worth of Interest Rate Swaps directly from at least one Defendant in which the rate of return was tied to LIBOR and was injured as a result of Defendants' anticompetitive conduct.

13. Defendant Bank of America Corporation ("Bank of America") is a Delaware corporation headquartered in Charlotte, North Carolina. During the Class Period, Bank of America was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

14. Defendant Barclays Bank plc ("Barclays") is a British public limited company headquartered in London, England. During the Class Period, Barclays was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

15. Defendant Citibank NA ("Citibank") is a wholly-owned subsidiary of the United States financial services corporation Citigroup, Inc., which is headquartered in New York, New York. During the Class Period, Citibank was a member of the British Bankers' Associations' U.S. dollar LIBOR panel.

16. Defendant HSBC Holdings plc ("HSBC Holdings") is a United Kingdom public company with its corporate headquarters in London, England. During the Class Period, HSBC was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

17. Defendant J.P. Morgan Chase & Co. ("JP Morgan") is a Delaware financial holding company headquartered in New York, New York. During the Class Period, JP Morgan was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

18. Defendant Lloyds Banking Group plc ("Lloyds") is a United Kingdom public limited company with its corporate headquarters in London, England. Lloyds was formed in 2009 through the acquisition of HBOS plc ("HBOS") and Lloyds TSB Bank plc ("Lloyds TSB"). During the Class Period, both HBOS and Lloyds TSB were members of the British Bankers' Association's U.S. dollar LIBOR panel.

19. Defendant UBS AG ("UBS") is a Swiss company based in Basel and Zurich, Switzerland. During the Class Period, UBS was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

20. Defendant WestLB AG ("WestLB") is a German joint stock company headquartered in Dusseldorf, Germany. During the Class Period, WestLB was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

UNNAMED CO-CONSPIRATORS

21. Various other entities and individuals not named as Defendants in this Complaint participated as co-conspirators in the acts complained of, and performed acts and made statements which aided and abetted and was in furtherance of the unlawful conduct alleged herein.

THE RELEVANT MARKET

22. The relevant market is LIBOR-Based Derivatives sold directly by Defendants.

CLASS ACTION ALLEGATIONS

23. Plaintiff brings this action as a class action under Rules 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure, on behalf of itself and all others similarly situated. The "Class" is defined as:

> All persons or entities other than Defendants and their employees, affiliates, parents, subsidiaries or co-conspirators (whether or not named in this Complaint) who purchased LIBOR-Based Derivatives directly from Defendants, including their subsidiaries and/or affiliates, from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased.

24. The Class is so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time, Plaintiff is informed and

believes that at least thousands of geographically dispersed Class members purchased LIBOR-Based Derivatives directly from Defendants during the Class Period.

25. Plaintiff's claims are typical of the claims of the other members of the Class. Plaintiff and the members of the Class sustained damages arising out of Defendants' common course of conduct in violation of law as complained herein. The injuries and damages of each member of the Class were directly caused by Defendants' wrongful conduct in violation of the antitrust laws as alleged herein.

26. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class action litigation, including antitrust class action litigation.

27. Common questions of law and fact exist as to all members of the Class which predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether Defendants conspired with others to artificially suppress LIBOR in violation of the Sherman Act;

(b) Whether Defendants' conduct had an anticompetitive and manipulative effect on LIBOR during the Class Period;

(c) Whether Defendants' conduct negatively affected the rates of return of LIBOR-Based Derivatives purchased directly from the Defendants during the Class Period; and

(d) The appropriate measure of damages for the injury sustained by Plaintiff and other members of the Class as a result of Defendants' unlawful activities.

28. A class action is superior to other available methods for the fair and efficient adjudication of this controversy because joinder of all Class members is impracticable. The

prosecution of separate actions by individual members of the Class would impose heavy burdens upon the courts and Defendants, and would create a risk of inconsistent or varying adjudications of the questions of law and fact common to the Class. A class action, on the other hand, would achieve substantial economies of time, effort and expense, and would assure uniformity of decision as to persons similarly situated without sacrificing procedural fairness or bringing about other undesirable results.

29. The interest of members of the Class in individually controlling the prosecution of separate actions is theoretical rather than practical. The Class has a high degree of cohesion, and prosecution of the action through representatives would be unobjectionable. The amounts at stake for Class members, while substantial in the aggregate, are not great enough individually to enable them to maintain separate suits against Defendants. Plaintiff does not anticipate any difficulty in the management of this action as a class action.

FACTUAL ALLEGATIONS

I. Background

A. Overview of LIBOR

30. Administered and owned by the BBA, LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

31. Every morning by 11:10 a.m. London time, the individual banks on the U.S. Dollar LIBOR panel send data to Reuters, a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates

public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. Dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

B. LIBOR-Based Derivatives

32. LIBOR is the primary benchmark for short-term interest rates globally.

33. According to the BBA, "the objectivity and accuracy of the [LIBOR] rates allowed derivatives to be created based on the data as a reference, and this has flourished to become an enormously successful cornerstone of business transacted in London and worldwide."

34. The perceived integrity of LIBOR allows many derivative products to be priced based on LIBOR. About $350 trillion worth of financial products globally reference LIBOR. To the extent that LIBOR is mispriced, these derivatives are also mispriced.

II. Defendants Unlawfully Conspired to Suppress and Manipulate LIBOR

35. In August, 2007, LIBOR began behaving erratically. Overnight, LIBOR began a period in which it dramatically decoupled from other financial indicators that had historically functioned as benchmarks. Reports initially assumed that low liquidity and increased credit risk endemic to the financial crisis were the likely contributing factors to the aberrant behavior of LIBOR. Subsequent examination reflects that Defendants were conspiring to artificially manipulate LIBOR to the benefit of their LIBOR-Based Derivatives positions.

36. As set forth below, Defendants' conspiracy to manipulate LIBOR throughout the Class Period is evidenced by several forms of analysis. During the Class Period, LIBOR shattered its historical relationships with various economic benchmarks, signifying that it was no longer representative of external market forces and was a result of manipulation by the

Defendants. Additionally, LIBOR has been shown to respond to external criticism, demonstrating that it was intentionally manipulated by Defendants, as opposed to reflecting an objective report of market conditions.

37. An examination of Defendants' LIBOR quotes reveals inconsistencies among Defendants' reporting across currencies and on a day-to-day basis, which supports the fact that Defendants purposefully and collectively agreed to underreport their actual borrowing costs in order to artificially and unlawfully suppress LIBOR. In so doing, they reaped massive profits from their enormous LIBOR-Based Derivatives positions, which directly benefited from their artificial suppression of LIBOR.

A. The Defendants' Unlawful Manipulation Of LIBOR

38. On December 12, 2007, the day after the Federal Reserve cut short-term interest rates for the third time that year in an effort to help ease the credit crunch and reduce the chances of an impending recession, The Wall Street Journal ("Journal") published an article predicting that continued worry over the credit crisis would effectively keep LIBOR rates high, even as other short-term interest rates would continue to fall. In fact, the Journal quoted one mortgage banker as stating that historically, in times of credit crisis, LIBOR rates have tended to spike.

39. Despite the Journal's prediction, in the early months of 2008, during the most significant financial crisis since the great depression, U.S. dollar-denominated LIBOR rates submitted by panel banks did not vary markedly, nor did they increase or decrease sharply. This fact did not correspond to traditional market behavior because in times of severe uncertainty, banks would normally be reluctant to lend to one another on an unsecured basis without receiving a higher risk premium.

40. In a market not artificially manipulated, LIBOR rates should have increased significantly during this period. In addition, because different panel banks were experiencing

different levels of economic stress, the panel banks should have been reporting markedly different borrowing rates. None of this was reflected in LIBOR rates reported by Defendants.

41. On April 16, 2008, the Journal published an article detailing the findings of a three month study it conducted into the borrowing rates of the 16 banks forming the U.S. dollar LIBOR panel. The Journal concluded that a number of banks – specifically Citibank, WestLB, HBOS, JP Morgan and UBS – had been reporting significantly lower borrowing costs than what other market measures suggest they should have been reporting. The Journal attributed this disparity to certain panel banks intentionally understating their borrowing rates.

42. The Journal's examination of the borrowing costs submitted by the panel banks during the first four months of 2008 indicated that the panel banks reported remarkably similar borrowing rates despite the fact that the banks were facing different financial stresses. For the first four months of 2008, for example, the three-month borrowing rates reported by the panel banks remained, on average, within a range of only .06 of a percentage point.

43. According to Professor Darrell Duffie, a Stanford University finance professor, the reported rates during the first four months of 2008 "[were] far too similar to be believed."

44. David Juran, a statistics professor at Columbia University who reviewed the Journal's methodology, concluded that the Journal's calculations demonstrate "very convincingly" that reported LIBOR rates are lower than what the market thinks they should be by a factor which well surpassed the threshold statisticians use to assess the significance of a result.

45. Following the Journal's April 16, 2008 report that the panel banks may be intentionally understating their borrowing rates, the BBA announced it would review LIBOR reporting process and remove any bank found to be reporting inaccurate rates from the panel.

46. In November 2007 and again in April 2008, the money market committee of the Bank of England raised questions about the integrity of LIBOR. The minutes of the committee's November 2007 meeting stated that, "several group members thought that Libor fixings had been lower than actual traded interbank rates." Minutes from the April, 2008 committee meeting noted that "U.S. dollar Libor rates had at times appeared lower than actual traded interbank rates." Similarly, Citigroup interest-rate strategist Scott Peng raised similar questions, writing that "Libor at times no longer represents the level at which banks extend loans to others."

47. On April 17, 2008, just days after the Journal published its analysis, there was a sudden jump in the U.S. dollar-denominated LIBOR. The benchmark dollar rate for three-month borrowing hit 2.1875% Thursday, or about .08 percentage points more than the 2.735% rate set on Wednesday.

48. Suspiciously, reported LIBOR rates for other currencies fell or remained relatively flat at the time the U.S. dollar LIBOR surged, a sign that the U.S. dollar LIBOR rate was susceptible to manipulation.

49. Notably, the significant move in the U.S. dollar-denominated LIBOR closely followed the BBA's announcement that it was accelerating its inquiry into the daily borrowing rates that banks provide to establish LIBOR rate.

50. The BBA's decision to speed up its inquiry was made in response to concerns expressed by bankers and the financial media that certain panel banks were not accurately reporting the rates they were paying for short-term loans.

51. In a note to clients the day after LIBOR surged, UBS strategist William O'Donnell suggested that the panel banks were responding to the heightened scrutiny, noting that

the BBA's announcement of its inquiry was an attempt "to bring publicly posted rates back into line with the shadow interbank money rate market."

52. At the time, William Porter, credit strategist at Credit Suisse, said he believed the three-month U.S. dollar LIBOR was .4 percentage points below where it should be. That echoed the view of Scott Peng, who concluded that LIBOR understated panel banks' true borrowing costs by as much as .3 percentage points.

B. Empirical Evidence Confirms Defendants' Manipulative and Conspiratorial Conduct

53. One of the unique characteristics of LIBOR's calculation is its opaqueness. The method for LIBOR calculation is only transparent to the extent that each panel bank reports to Reuters its borrowing rate and Reuters publicizes the rates and computes LIBOR. The internal calculations and methodology of the panel banks in determining their borrowing rates are unobservable to the public. This renders LIBOR susceptible to manipulation by Defendants. Since LIBOR is the basis for a large number of daily financial transactions, comparisons to observable market rates have historically been monitored.

54. In reaction to the media reports of LIBOR manipulation, various empirical studies have demonstrated that the aberrant behavior of LIBOR during the Class Period is suggestive of collective agreement amongst Defendants to manipulate and suppress LIBOR. During the Class Period, LIBOR deviated dramatically from its historic relationships with other economic indicators. This sudden and dramatic variation is consistent with the fact that LIBOR was in fact being manipulated by Defendants, as opposed to accurately reporting market characteristics.

1. LIBOR Diverges From Its Historical Relationship With The Eurodollar

55. The U.S. dollar LIBOR, in effect, measures the interest rate offered to panel banks to borrow U.S. dollar deposits, also known as Eurodollars. Eurodollars are also traded in

the market, and the market rate for Eurodollars is commonly seen as the best market proxy for LIBOR. An analysis conducted by Connan Snider, a Professor at UCLA and Thomas Youle, emphasized that, prior to August 2007, the previous day's Eurodollar bid rate was a better predictor of LIBOR than the previous days LIBOR.

56. Historically, the difference between LIBOR and Eurodollar rate, known as LIBOR/Eurodollar spread (effectively LIBOR minus the Eurodollar bid rate), average 2.75 basis points.[1] The spread was almost always positive, meaning the Eurodollar rate was slightly lower, reflecting the measurement of LIBOR as an offer rate and the Eurodollar rate as a bid rate on U.S. dollar deposits. After August 2007, Defendants' manipulation and suppression of LIBOR resulted in a decoupling of LIBOR and the Eurodollar rate, and a reversal of the relationship so that the spread was negative. In the post manipulation period, the average spread was -24.70 basis points.

57. Even more indicative of Defendants' manipulation was that after August 2007, LIBOR/Eurodollar spread became strongly negative as opposed to the historical mildly positive relationship, as illustrated by the chart below. This change in the historical relationship is evidence of the downward manipulation of LIBOR. In some cases, LIBOR was 15 to 20 basis points lower than the Eurodollar market rate. In effect, LIBOR reported that banks were offering Eurodollars at a rate lower than market participants were actually buying them, a result that strongly indicates Defendants' manipulation of LIBOR.

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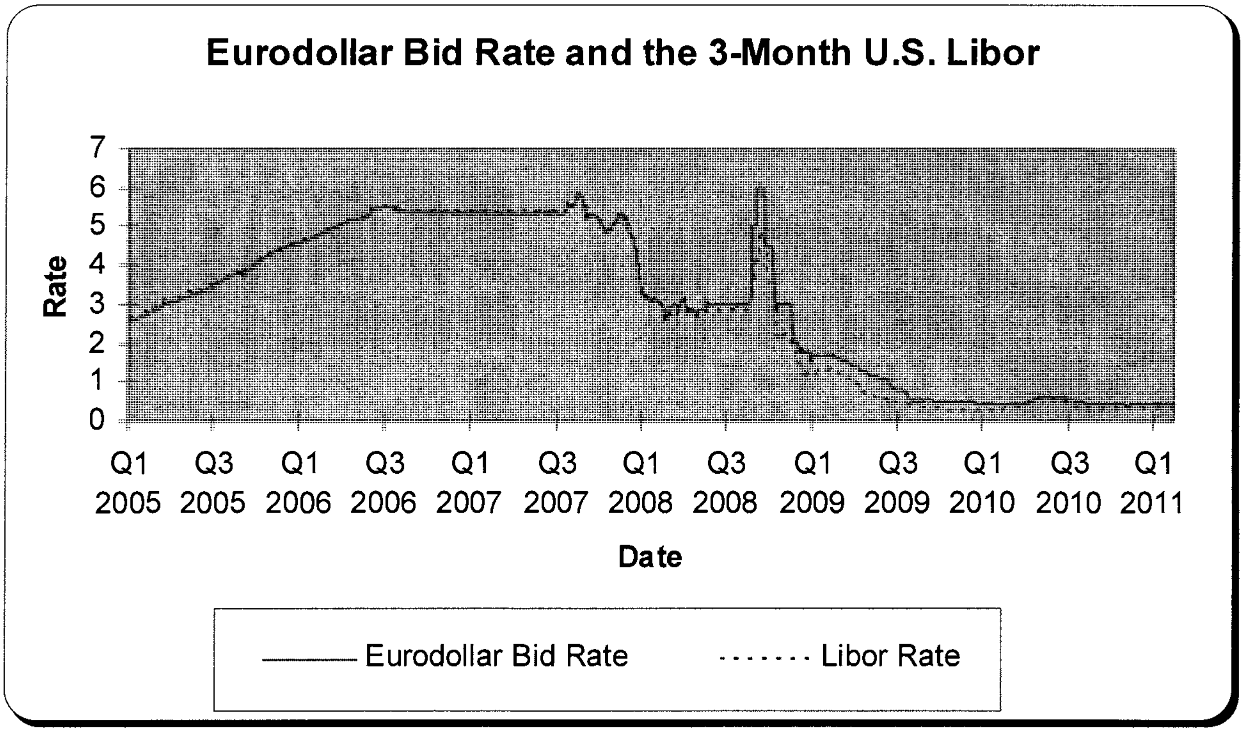
[1] A "basis point" is a term commonly used to measure a financial instrument, interest rates. A basis point is equal to 1/100th of 1%. It is a commonly used term of measurement for financial instruments because daily rate changes are typically smaller than 1 percent, though small changes have huge financial effects.



58. When Snider and Youle performed the identical analysis for the period after August 2007, they found that the previous day's Eurodollar rate had less predictive power on LIBOR. In fact, as LIBOR dropped below the Eurodollar rate, the previous day's LIBOR became a better predictor of the current LIBOR. This demonstrates that LIBOR was no longer responding to market forces, but instead was the product of Defendants' manipulation.

2. LIBOR Diverges From Its Historical Relationship With Credit Default Swaps

59. A credit default swap ("CDS") is a swap contract and agreement in which the protection buyer of the CDS makes a series of payments (often referred to as the CDS "fee" or "spread") to the protection seller and, in exchange, receives a payment if the underlying credit instrument (typically a bond or loan) experiences a credit event. The spread serves as a measure of the perceived risk of default by the entity issuing the underlying bond or receiving the loan. The greater the risk of default on the underlying bond or loan, the greater the spread. In the case

of a CDS whose underlying instrument is an interbank loan in which a panel bank is the borrower, the greater the perceived risk that the panel bank will default on the loan, the higher its CDS spread.

60. CDSs are a useful benchmark for LIBOR because both CDSs and LIBOR are a measure of perceived credit risks. On May 29, 2008, Carrick Mollenkamp and Mark Whitehouse ("Mollenkamp and Whitehouse") published an article in the Journal, emphasizing significant disparities between certain panel banks' perceived risk in the CDS market and their LIBOR reporting. A higher CDS spread is indicative of a larger perceived risk in lending to an institution because it represents the cost of insuring against a default on that loan.

61. In their analysis, which followed Mollenkamp and Whitehouse, Snider and Youle performed two separate comparisons between LIBOR and CDSs to highlight inconsistencies in LIBOR reporting. First, they noted that a specific reporting bank may have a comparatively higher CDS spread than a second reporting bank (and therefore be perceived as comparatively "riskier"), while simultaneously having a lower LIBOR than the same bank (which would indicate that it is perceived as a "less risky" investment). For example, Citigroup consistently has a substantially higher CDS spread than the Bank of Tokyo – Mitsubishi, yet Citigroup reported comparatively lower LIBOR quotes. Mollenkamp and Whitehouse also noted the same pattern.

C. Inconsistencies With LIBOR Reporting By Individual Banks

62. A close examination of the borrowing rates reported by Defendants to Reuters for calculation of LIBOR during the Class period and each bank's incentive to manipulate LIBOR further evidences Defendants' conspiracy to manipulate and suppress LIBOR. For example, Alexandre Harthieser of ESCP Europe and Natixis Bank and Phillippe K. Spieser, Professor of

Finance at ESCP Europe, performed clustering analysis on the panel members' individual reporting and concluded that "a suspect cartel has been identified."

1. Panel Banks Report Inconsistent Rates Across Currencies

63. Panel Banks report LIBOR across different currencies each day. Since LIBOR is a measure of a bank's stability as an institution, absent manipulation, the comparative ranking of panel banks should largely be the same across different currencies (allowing for the variation in panel composition across currencies). A comparison of LIBOR across different currencies shows this is not consistently so.

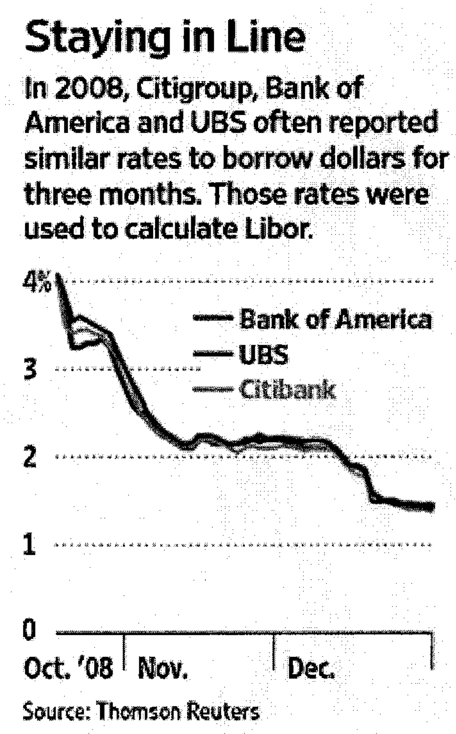
64. For example, Bank of America and Bank of Tokyo-Mitsubishi both report rates to Reuters for calculation of the U.S. dollar and Yen LIBOR. Over the manipulation period, it was common for Bank of America to simultaneously quote a lower rate than Bank of Tokyo-Mitsubishi in U.S. dollar LIBOR and a higher quote in the Yen LIBOR. Since institutional risk should be the same for each panel bank regardless of the what currency it is measured in, this indicates that the rates being reported do not accurately reflect market conditions and are an indication of manipulation.

2. Bunching

65. Throughout the Class Period, the rates reported by certain Defendants "bunch" around the fourth lowest quote each day. That is to say that the rates reported by those Defendants to Reuters were consistently near the fourth lowest of the 16 panel banks. Since Reuters, at the time, calculated LIBOR by removing the lowest (and highest) four reported rates everyday, bunching around the fourth lowest rate is suggestive that those Defendants collectively acted and colluded to suppress and manipulate LIBOR.

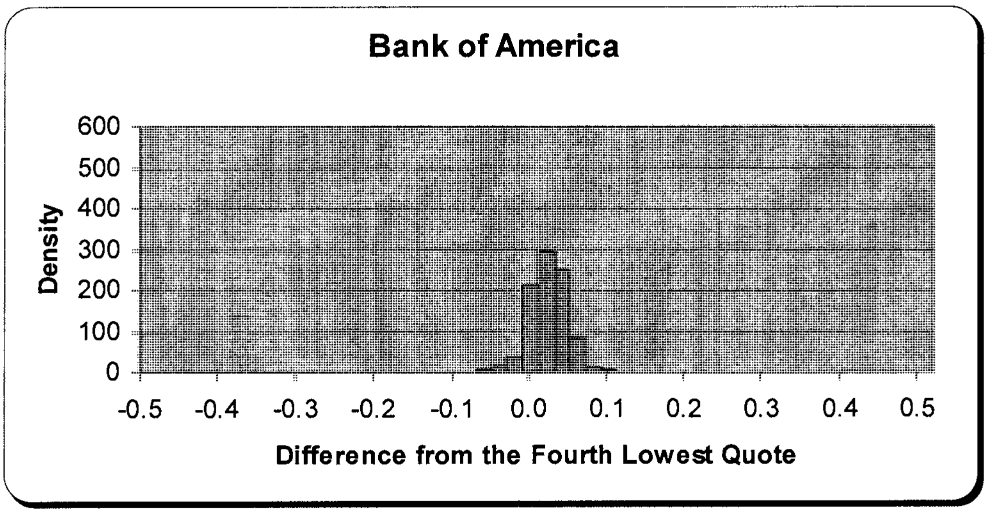
66. As an initial matter, bunching among Defendants' reported rates demonstrates that Defendants intended to report the same or similar rates. The individual variation between

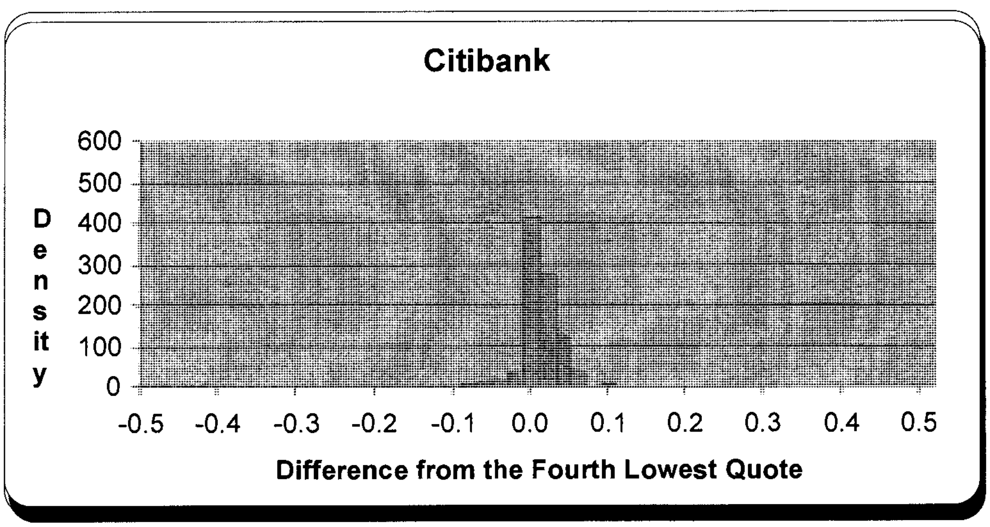
the financial situation of each reporting bank should lead to differences in the reported rates. The fact that, throughout the Class Period, Defendants repeatedly reported identical rates to Reuters is an indication that the Defendants were conspiring to manipulate LIBOR. The chart below, for example, indicates that, in late 2008, Bank of America, UBS and Citibank reported nearly identical rates to borrow dollars for three months.



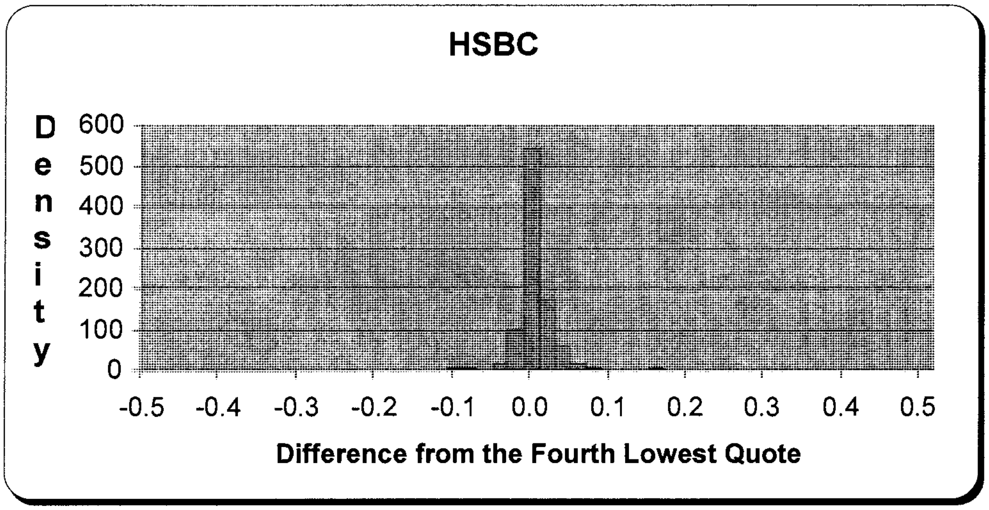
67. Further, certain Defendants' consistent bunching of their reported rates at or near the fourth lowest position is suggestive of their intent to artificially suppress LIBOR. This is because the fifth lowest quote is the lowest quote that is included by Reuters in calculating the day's LIBOR. Defendants' clustering at or near the fourth lowest rate ensures that the artificially low rates reported by Defendants will be included in the BBA's daily calculation resulting in the artificial suppression of LIBOR.

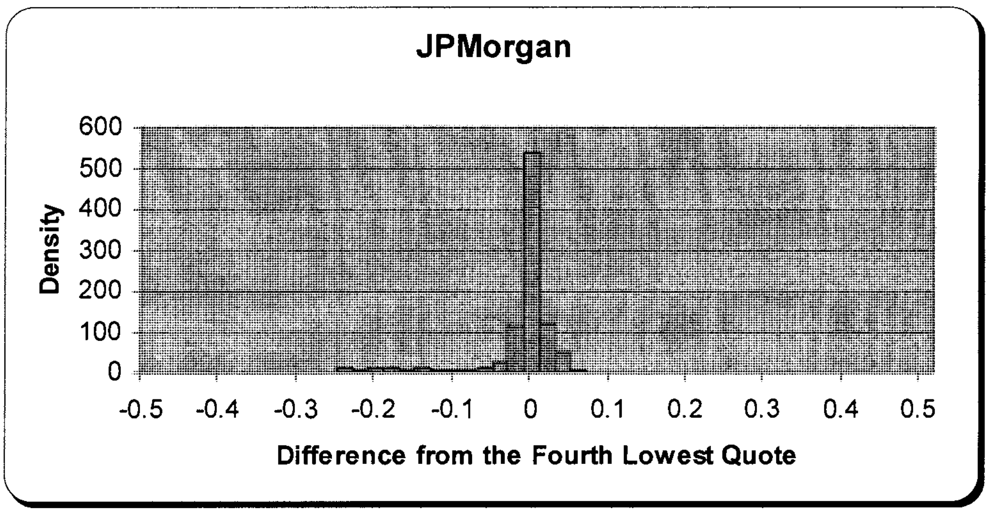
68. The following charts of daily U.S. dollar LIBOR reported rates show the frequency with which Defendants Bank of America, Citibank, HSBC, and JP Morgan reported within a given percentage rate from the 4th lowest quote. A negative difference means that they were below the 4th lowest quote, and therefore not included in the daily LIBOR calculation. Zero difference means that they either were the 4th lowest quote on a given day or tied at the same value as the 4th lowest quote.[2]





[2] If there is a tie between LIBOR quotes on a given day, one of the banks' quotes is discarded at random.





69. While bunching is reflective of Defendants' intention to report the lowest borrowing rate to be calculated by Reuters, *i.e.*, the fifth lowest borrowing rate, this does not suggest that the panel banks reporting the four lowest quotes (quotes that are discarded by Reuters) are not members of the conspiracy. Due to the mechanics of LIBOR calculation, there will always be discounted outliers. If all of the panel banks reported the same low rate, the lowest four would always be discounted. Therefore by bunching quoted rates around the 4th lowest rate, the panel banks ensured the maximum downward manipulation.

3. Defendants Had Significant Incentives to Manipulate LIBOR

70. Defendants held significant financial positions in LIBOR-Based Derivatives, such as in exchange-traded futures contracts and in over-the-counter Interest Rate Swaps, providing them incentive to suppress LIBOR. Defendants' positions in Interest Rate Swaps, for example, were so large throughout the Class Period, that even a small unhedged exposure to LIBOR-Based Derivatives would create enormous financial incentives for Defendants to manipulate LIBOR. Furthermore, when LIBOR experienced a significant drop in Q1 2009, Defendants reaped billions of dollars in profits. It was no accident that Defendants experienced sharply increased profits in their Interest Rate Swap positions at the time LIBOR fell – Defendants purposely took positions in Interest Rate Swaps, which benefited from their suppression of LIBOR. Upon information and belief, throughout the Class Period, Defendants' manipulation and suppression of LIBOR benefited their other LIBOR-Based derivative positions as well.

71. As a result of these incentives Defendants' trading positions came to dominate their reporting obligations to the BBA. A Financial Times article reports, for example, that Barclays is currently under investigation by the regulatory authorities of the United States and the United Kingdom for violating "Chinese Wall" rules which restrict information sharing between different parts of the bank. Barclays' treasury department submits its daily borrowing costs to the BBA and is walled-off from its traders. Barclays is being investigated regarding communications between its traders and its treasury department which improperly influenced the daily submission process.

III. Governmental Investigations

72. Defendants' conspiracy to manipulate and make artificial LIBOR-Based Derivatives during the Class Period has spurred investigations by numerous government regulatory agencies into the reporting practices of various banks on the U.S. dollar panel.

73. The regulatory investigations were first publicly disclosed on March 15, 2011, when UBS disclosed in its annual report that it had received subpoenas from the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the United States Department of Justice, as well as an information request from the Japanese Financial Supervisory Agency, relating to its reporting of lending rates to Reuters for calculation of LIBOR. UBS's disclosure states that the focus of the investigations is "whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate LIBOR at certain times." Other Defendants have subsequently disclosed that they are subject to investigation by regulatory authorities related to LIBOR. On August 1, 2011, for example, HSBC released its 2011 Interim Results and Barclays released its Half-Yearly Report in the United Kingdom, each disclosing that they were under investigation by various regulatory authorities around the World. Barclays specifically identified investigations by the United Kingdom Financial Services Authority, the Commodity Futures Trading Commission, the Securities and Exchange Commission, the Department of Justice Fraud Section of the Criminal Division and Antitrust Division' and the European Commission. The Journal has reported that the investigators are looking into whether the banks effectively formed a global cartel and coordinated how to report borrowing costs between 2006 and 2008.

74. A Financial Times article published the same day as UBS's disclosure reported that the three U.S. agencies the Japanese Financial Supervisory Agency and the United Kingdom's Financial Services Authority had also requested information, and had begun interviewing witnesses, connected to Defendants for several months.

75. On July 26, 2011, the Financial Times reported that investigators had expanded their probe to include yen-based LIBOR and the Tokyo interbank offered rate ("TIBOR"). In its

results announcement made that day, UBS confirmed that the investigation's scope had widened and disclosed that it had received "conditional leniency and conditional immunity" from the United States Department of Justice for turning over information on the setting of yen-based LIBOR and of the Tokyo interbank offered rate ("TIBOR"). UBS said that while its immunity stretched to the yen-based LIBOR and the TIBOR the deal did not bar the Department of Justice or other "government agencies from asserting other claims against us". The Antitrust Division's leniency policies were established for corporations and individuals "reporting their illegal antitrust activity" and the policies protect leniency recipients from criminal conviction. Notably, each of the Defendants from 2006 to 2009 were members of the yen-based LIBOR panel.

76. Latham & Watkins LLP has observed that the coordinated antitrust investigations in the United States, EU, UK, and Japan indicate that the enforcers are cooperating with each other and that the antitrust investigations may have been triggered by one of the banks taking advantage of the Antitrust Division's Corporate Leniency Policy, as well as other leniency policies around the globe.

FRAUDULENT CONCEALMENT

77. By its very nature, the unlawful activity, as alleged herein, that Defendants engaged in was self-concealing. Defendants, *inter alia*, conspired and engaged in secret and surreptitious activities in order to manipulate LIBOR.

78. Defendants fraudulently concealed their participation in their conspiracy to manipulate LIBOR by, among other things, engaging in secret meetings and communications in furtherance of the conspiracies. Because of such fraudulent concealment, and the fact that a conspiracy in restraint of trade is inherently self-concealing, Plaintiff and the members of the

Class could not have discovered the existence of Defendants' conspiracy and manipulation any earlier than public disclosures thereof.

79. Defendants agreed among themselves not to discuss publicly or otherwise reveal the nature and substance of the acts and communications in furtherance of their illegal conspiracy and manipulation.

80. Defendants' actions in fraudulently concealing their illegal conspiracy caused the BBA, the organization that owns and administers LIBOR, to issue a number of statements defending the integrity of LIBOR.

81. For instance, in a statement issued in May 2008, in response to published reports suggesting that Defendants had artificially suppressed LIBOR as evidenced by the decoupling of LIBOR from the CDS market, a BBA spokeswoman announced that there was "no indication" that the default-insurance market provides a more accurate picture of banks' borrowing costs than LIBOR.

82. In June 2009, John Ewan, director of the BBA, represented that LIBOR was "not a false signal to the markets." Even as recently as March 2011, in response to UBS's disclosure that it was the subject of government investigations in connection with Defendants' suppression of LIBOR, the BBA issued a statement characterizing LIBOR as an "accurate and reliable benchmark[]."

83. Plaintiff and members of the Class were lulled into believing that the returns on their LIBOR-Based Derivatives were the result of market conditions, rather than the product of Defendants' manipulation and collusive activities.

84. Because of Defendants' active steps, including fraudulent concealment of their conspiracy to prevent Plaintiffs and members of the Classes from suing them for the

anticompetitive activities alleged in this Complaint, Defendants are equitably estopped from asserting that any otherwise applicable limitations period has run.

DEFENDANTS' ANTITRUST VIOLATIONS

85. Beginning at least as early as August 1, 2007, and continuing until at least the date of the filing of the Complaint, the exact dates being unknown to Plaintiff, Defendants and their co-conspirators engaged in a continuing agreement, understanding, or conspiracy in restraint of trade to artificially fix, maintain, suppress and stabilize LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them.

86. In formulating and effectuating the contract, combination, or conspiracy, Defendants and their co-conspirators engaged in anticompetitive activities, the purpose and effect of which were to fix, maintain, suppress and otherwise make artificial the price of LIBOR-Based Derivatives. These activities included the following:

(a) Defendants participated in meetings and/or conversations to unlawfully discuss their reporting of their borrowing rates to Reuters for calculation of the daily LIBOR;

(b) Defendants agreed during those meetings and conversations to unlawfully report their borrowing rates to Reuters for calculation of LIBOR in order to drive down LIBOR and otherwise to depress or make artificial LIBOR;

(c) Defendants signaled to one another their intention to depress or otherwise make artificial LIBOR and colluded with one another in achieving this unlawful and anticompetitive purpose; and

(d) Pursuant to such an unlawful conspiracy in restraint of trade, Defendants knowingly and collusively traded in order to depress or otherwise make artificial the price of LIBOR-Based Derivatives.

ALLEGATIONS OF ANTITRUST INJURY TO PLAINTIFF AND THE CLASS

87. Defendants' anticompetitive conduct had severe adverse consequences on competition in that Plaintiff and other members of the Class who traded in LIBOR-Based Derivatives during the Class Period were trading at artificially determined prices that were made artificial as a result of Defendants' unlawful conduct. As a consequence thereof, Plaintiff and the Class suffered financial losses and were, therefore, injured in their business or property.

COUNT ONE

VIOLATIONS OF SECTION 1 OF THE SHERMAN ACT

88. Plaintiff incorporates by reference the preceding allegations.

89. Defendants and their unnamed co-conspirators entered into and engaged in a conspiracy in unreasonable restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act.

90. During the Class Period, Defendants controlled what LIBOR rate would be reported and therefore controlled the rates of return on LIBOR-Based Derivatives sold by them.

91. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained, suppressed and stabilized LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them. Defendants' conspiracy is a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade and commerce.

92. Defendants' conspiracy, and resulting impact on the market for LIBOR-Based Derivatives, occurred in or affected interstate and foreign commerce.

93. As a proximate result of Defendants' unlawful conduct, Plaintiff and members of the Class have suffered injury to their business or property.

94. Plaintiff and members of the Class are each entitled to treble damages for the violations of the Sherman Act alleged herein.

COUNT TWO

UNJUST ENRICHMENT AND RESTITUTION

95. Plaintiff incorporates by reference the preceding allegations.

96. It would be inequitable for Defendants to be permitted to retain the benefit which Defendants obtained from their manipulative acts and at the expense of Plaintiff and members of the Class.

97. Plaintiff and members of the Class are entitled to the establishment of a constructive trust impressed on the benefits to Defendants from their unjust enrichment and inequitable conduct.

98. Alternatively or additionally each Defendant should pay restitution or its own unjust enrichment to Plaintiff and members of the Class.

RELIEF SOUGHT

Accordingly, Plaintiff demands relief as follows:

A. That the Court determine that this action may be maintained as a class action under Rule 23(b)(3) of the Federal Rules of Civil Procedure, that Plaintiff be appointed as class representative, and that Plaintiff's counsel be appointed as counsel for the Class;

B. That the unlawful conduct alleged herein be adjudged and decreed to be an unlawful restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act;

C. That Defendants, their subsidiaries, affiliates, successors, transferees, assignees and the respective officers, directors, partners, agents, and employees and all other persons acting or claiming to act on their behalf, be permanently enjoined and restrained from continuing and maintaining the conspiracy alleged in the Complaint;

D. That Plaintiff and the Class recover damages, as provided under federal antitrust laws, and that a joint and several judgment in favor of Plaintiff and the Class be entered against Defendants in an amount to be trebled in accordance with such laws;

E. That Plaintiff and the Class recover their costs of the suit, including attorneys' fees, as provided by law; and

F. That the Court direct such further relief it may deem just and proper.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38(a) of the Federal Rules of Civil Procedure, Plaintiff demands a jury trial as to all issues triable by a jury.

Dated: August 3, 2011

Respectfully submitted,

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Counsel for Plaintiff and the Proposed Class

RE: LIBOR and the GSEs

Item ID:	31779
From:	[redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: LIBOR and the GSEs
Sent:	September 7, 2012 10:11 AM
Received:	September 7, 2012 10:11 AM

Would you be able to meet at 1-1:15 today? Would you mind if [redacted] sat in. I will call the FBI agent and see if we can set up a time to meet next week.
Sent from my Windows Phone
From:
Lee, Timothy
Sent:
9/7/2012 9:33 AM
To:
[redacted]
Subject:
FW: LIBOR and the GSEs
H [redacted]
Happy to discuss if you like. Please keep this email within FHFA-OIG.
Tim
From: Lee, Timothy
Sent: Thursday, September 06, 2012 4:34 PM
To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov); stephen.cross@fhfa.gov; fred.graham@fhfa.gov; Sciacca, Christie (Christie.Sciacca@fhfa.gov)
Subject: LIBOR and the GSEs
Hi Jon, Steve, Fred, Christie and Nina,
Following up from our meeting, please find several files attached as additional background.
Â·
The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprisesâ€™ net â€œreceive floatingâ€ interest rate swaps positions, relative to the â€œfairâ€ amount that would
have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge
[redacted]

(b) (5) [redacted].

Â·

The Baltimore LIBOR complaint is also attached; it defines â€œClassâ€ on page 5, paragraph 23. (b) (5) [redacted] They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone.

Tim

Timothy Lee
Senior Policy Advisor, FHFA-OIG
202-730-2821

LIBOR: one more thing

Item ID:	31780
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	nina.nichols@fhfa.gov, Greenlee, Jon (Jon.Greenlee@fhfa.gov) <Jon.Greenlee@fhfa.gov>, Sciacca, Christie (Christie.Sciacca@fhfa.gov) <Christie.Sciacca@fhfa.gov>, stephen.cross@fhfa.gov
Subject:	LIBOR: one more thing
Sent:	September 7, 2012 10:12 AM
Received:	September 7, 2012 10:12 AM

Hi all, You know, in the shower this morning I realized that there is an obvious way to elaborate on the “other assets” mentioned yesterday. My experience in the markets suggests that the great majority of the Enterprises’ PLMBS portfolio is in floating-rate format. A quick, unscientific Bloomberg “gut check” of five deals named in FHFA’s PLMBS-related Bank of America lawsuit from last September resulted in two fixed-rate assets and three LIBOR-pegged assets. (b) (5) [redacted]

Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: LIBOR and the GSEs

Item ID:	31781
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	[redacted] </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=45ad7effd12a4beeb3be31b646cc60d6-Nancy O'She>
Subject:	RE: LIBOR and the GSEs
Sent:	September 7, 2012 10:13 AM
Received:	September 7, 2012 10:13 AM

I am happy to, though I must warn you that due to another appointment I will turn into a pumpkin at 1330. Your place or mine? From [redacted] Sent: Friday, September 07, 2012 10:11 AM To: Lee, Timothy Subject: RE: LIBOR and the GSEs Would you be able to meet at 1-1:15 today? Would you mind if [redacted] sat in. I will call the FBI agent and see if we can set up a time to meet next week. Sent from my Windows Phone From: Lee, Timothy Sent: 9/7/2012 9:33 AM To: [redacted] Subject: FW: LIBOR and the GSEs Hi [redacted], Happy to discuss if you like. Please keep this email within FHFA-OIG. Tim From: Lee, Timothy Sent: Thursday, September 06, 2012 4:34 PM To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov); stephen.cross@fhfa.gov ; fred.graham@fhfa.gov ; Sciacca, Christie (Christie.Sciacca@fhfa.gov) Subject: LIBOR and the GSEs Hi Jon, Steve, Fred, Christie and Nina, Following up from our meeting, please find several files attached as additional background. · The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprises' net "receive floating" interest rate swaps positions, relative to the "fair" amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge [redacted]. [redacted] · The Baltimore LIBOR complaint is also attached; it defines "Class" on page 5, paragraph 23. [redacted]. [redacted]. They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

FW: LIBOR: one more thing

Item ID:	31782
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Cc:	Conlon, Paul </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=bb38913146504c409ec131657444fceb-Paul Conlon>
Subject:	FW: LIBOR: one more thing
Sent:	September 7, 2012 10:20 AM
Received:	September 7, 2012 10:20 AM

Hi Old Salt, [redacted] (b) (5) Do you think we could lobby Steve for a few hours' time from one of Russ' crackerjacks? Tim From: Lee, Timothy Sent: Friday, September 07, 2012 10:12 AM To: nina.nichols@fhfa.gov; Greenlee, Jon (Jon.Greenlee@fhfa.gov); Sciacca, Christie (Christie.Sciacca@fhfa.gov); stephen.cross@fhfa.gov Subject: LIBOR: one more thing Hi all, You know, in the shower this morning I realized that there is an obvious way to elaborate on the "other assets" mentioned yesterday. My experience in the markets suggests that the great majority of the Enterprises' PLMBS portfolio is in floating-rate format. A quick, unscientific Bloomberg "gut check" of five deals named in FHFA's PLMBS-related Bank of America lawsuit from last September resulted in two fixed-rate assets and three LIBOR-pegged assets. In light of the fact that the Enterprises' PLMBS holdings, though falling, remain very substantial (falling, according to the last OMM I saw, from $150 billion at end 2009 to $115 billion currently). Even if only half the Enterprises' PLMBS assets are floating rate, it is very, very easy to pencil in LIBOR suppression losses for a single year running into nine figures on that portfolio alone. This is over and above the figures indicated on yesterday's sheet, and of course for deals sold in many cases by the very banks accused of LIBOR-related misconduct. In light of this, as decisions are made on starting a closer analysis, the PLMBS portfolio may prove to be an additional rich vein to mine. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: LIBOR: one more thing

Item ID:	31784
From:	Conlon, Paul [redacted] (b) (6)
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>, Parker, Richard [redacted] (b) (6)
Subject:	RE: LIBOR: one more thing
Sent:	September 7, 2012 10:24 AM
Received:	September 7, 2012 10:24 AM

Very interesting…. Thanks for sharing. P From: Lee, Timothy Sent: Friday, September 07, 2012 10:20 AM To: Parker, Richard Cc: Conlon, Paul Subject: FW: LIBOR: one more thing Hi Old Salt, [redacted] (b) (5) Do you think we could lobby Steve for a few hours' time from one of Russ' crackerjacks? Tim From: Lee, Timothy Sent: Friday, September 07, 2012 10:12 AM To: nina.nichols@fhfa.gov ; Greenlee, Jon (Jon.Greenlee@fhfa.gov); Sciacca, Christie (Christie.Sciacca@fhfa.gov); stephen.cross@fhfa.gov Subject: LIBOR: one more thing Hi all, You know, in the shower this morning I realized that there is an obvious way to elaborate on the "other assets" mentioned yesterday. My experience in the markets suggests that the great majority of the Enterprises' PLMBS portfolio is in floating-rate format. A quick, unscientific Bloomberg "gut check" of five deals named in FHFA's PLMBS-related Bank of America lawsuit from last September resulted in two fixed-rate assets and three LIBOR-pegged assets. In light of the fact that the Enterprises' PLMBS holdings, though falling, remain very substantial (falling, according to the last OMM I saw, from $150 billion at end 2009 to $115 billion currently). Even if only half the Enterprises' PLMBS assets are floating rate, it is very, very easy to pencil in LIBOR suppression losses for a single year running into nine figures on that portfolio alone. This is over and above the figures indicated on yesterday's sheet, and of course for deals sold in many cases by the very banks accused of LIBOR-related misconduct. In light of this, as decisions are made on starting a closer analysis, the PLMBS portfolio may prove to be an additional rich vein to mine. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

FW: LIBOR: one more thing

Item ID:	31783
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Timothy.Friedman@fhfa.gov
Subject:	FW: LIBOR: one more thing
Sent:	September 7, 2012 10:24 AM
Received:	September 7, 2012 10:24 AM

From: Lee, Timothy Sent: Friday, September 07, 2012 10:12 AM To: nina.nichols@fhfa.gov; Greenlee, Jon (Jon.Greenlee@fhfa.gov); Sciacca, Christie (Christie.Sciacca@fhfa.gov); stephen.cross@fhfa.gov Subject: LIBOR: one more thing Hi all, You know, in the shower this morning I realized that there is an obvious way to elaborate on the “other assets” mentioned yesterday. My experience in the markets suggests that the great majority of the Enterprises’ PLMBS portfolio is in floating-rate format. A quick, unscientific Bloomberg “gut check” of five deals named in FHFA’s PLMBS-related Bank of America lawsuit from last September resulted in two fixed-rate assets and three LIBOR-pegged assets. In light of the fact that the Enterprises’ PLMBS holdings, though falling, remain very substantial (falling, according to the last OMM I saw, from $150 billion at end 2009 to $115 billion currently). Even if only half the Enterprises’ PLMBS assets are floating rate, it is very, very easy to pencil in LIBOR suppression losses for a single year running into nine figures on that portfolio alone. This is over and above the figures indicated on yesterday’s sheet, and of course for deals sold in many cases by the very banks accused of LIBOR-related misconduct. In light of this, as decisions are made on starting a closer analysis, the PLMBS portfolio may prove to be an additional rich vein to mine. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: LIBOR and the GSEs

Item ID:	31786
From:	[redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: LIBOR and the GSEs
Sent:	September 7, 2012 10:25 AM
Received:	September 7, 2012 10:25 AM

How about 12:45 down in the investigation conference room
Sent from my Windows Phone
From:
Lee, Timothy
Sent:
9/7/2012 10:13 AM
To:
[redacted]
Subject:
RE: LIBOR and the GSEs
I am happy to, though I must warn you that due to another appointment I will turn into a pumpkin at 1330. Your place or mine?
From: [redacted]
Sent: Friday, September 07, 2012 10:11 AM
To: Lee, Timothy
Subject: RE: LIBOR and the GSEs
Would you be able to meet at 1-1:15 today? Would you mind if [redacted] sat in. I will call the FBI agent and see if we can set up a time to meet next week.
Sent from my Windows Phone
From:
Lee, Timothy
Sent:
9/7/2012 9:33 AM
To:
[redacted]
Subject:
FW: LIBOR and the GSEs
Hi [redacted],
Happy to discuss if you like. Please keep this email within FHFA-OIG.
Tim
From: Lee, Timothy
Sent: Thursday, September 06, 2012 4:34 PM
To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov);
stephen.cross@fhfa.gov ;
fred.graham@fhfa.gov ; Sciacca, Christie (Christie.Sciacca@fhfa.gov)
Subject: LIBOR and the GSEs
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(b) (5) [redacted]

Â·

The Baltimore LIBOR complaint is also attached; it defines â€œClassâ€ on page 5, paragraph 23. (b) (5) [redacted] They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone.

Tim

Timothy Lee

Senior Policy Advisor, FHFA-OIG

202-730-2821

FW: LIBOR and the GSEs

Item ID:	31788
From:	Parker, Richard [redacted] (b) (6)
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	FW: LIBOR and the GSEs
Sent:	September 7, 2012 12:42 PM
Received:	September 7, 2012 12:42 PM

Pls add to your LIBOR file. Solid work. [redacted] (b) (5). – R From: Parker, Richard Sent: Friday, September 07, 2012 12:38 PM To: Linick, Steve [redacted] (b) (6) Cc: DiSanto, Emilia Subject: FW: LIBOR and the GSEs Steve, Per our conversation, I have asked Tim to assemble a memo to Ed from you that outlines the LIBOR issue as it relates to the Enterprises and the OIG's work in the area. By early next week we'll have something that you can look at and provide direction from. Enclosed is a brief encapsulation of yesterday's meeting with the Agency on the LIBOR issue. Rich From: Lee, Timothy Sent: Thursday, September 06, 2012 4:39 PM To: Parker, Richard Subject: FW: LIBOR and the GSEs Hi Rich, FYI. This basically recaps today's conversation. [redacted] (b) (5) As the note says, I expect to line up a call and make introductions early next week to move matters along. Tim From: Lee, Timothy Sent: Thursday, September 06, 2012 4:34 PM To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov); stephen.cross@fhfa.gov ; fred.graham@fhfa.gov ; Sciacca, Christie (Christie.Sciacca@fhfa.gov) Subject: LIBOR and the GSEs Hi Jon, Steve, Fred, Christie and Nina, Following up from our meeting, please find several files attached as additional background. · The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprises' net "receive floating" interest rate swaps positions, relative to the "fair" amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. [redacted] (b) (5) (b) (5). [redacted] (b) (5). · The Baltimore LIBOR complaint is also attached; it defines "Class" on page 5, paragraph 23 [redacted] (b) (5) They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

Attachment #1

LIBOR proposal.xlsx

Original view

2 pages (displayed on pages 3 to 4)

Cash Flow Shortfall from LIBOR Suppression

Enterprises Interest Rate Swaps

dollars in millions

Swap Notic	31-Dec-08	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10
Fannie Mae							
Pay Fixed S	546,916	620,850	650,447	435,693	382,600	315,857	317,259
Less: Recei	451,081	549,823	571,802	340,384	275,417	229,293	234,901
Plus: Basis	24,560	19,815	22,200	11,000	3,225	3,220	3,020
Net Receiv	120,395	90,842	100,845	106,309	110,408	89,784	85,378
Freddie Mac							
Less: Rece	266,685	336,207	284,244	320,458	271,403	255,940	349,545
Plus: Pay F	404,359	342,747	401,904	414,776	382,259	382,145	386,194
Plus: Basis Swaps		82,090	51,065	51,615	52,045	54,070	53,910
Net Receiv	137,674	88,630	168,725	145,933	162,901	180,275	90,559
Enterprises							
Net Receiv	258,069	179,472	269,570	252,242	273,309	270,059	175,937
Swap Cash Flow Shortfall - Quarterly Totals							
0.10%	64.5	44.9	67.4	63.1	68.3	67.5	44.0
0.20%	129.0	89.7	134.8	126.1	136.7	135.0	88.0
0.30%	193.6	134.6	202.2	189.2	205.0	202.5	132.0
0.40%	258.1	179.5	269.6	252.2	273.3	270.1	175.9
Swap Cash Flow Shortfall - Cumulative							
0.10%	64.5	109.4	176.8	239.8	308.2	375.7	419.7
0.20%	129.0	218.8	353.6	479.7	616.3	751.4	839.3
0.30%	193.6	328.2	530.3	719.5	924.5	1,127.0	1,259.0
0.40%	258.1	437.5	707.1	959.4	1,232.7	1,502.7	1,678.7

30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	30-Jun-12
296,877	277,227	270,250	205,084	193,882	186,757	206,307	229,227
233,613	224,177	214,777	161,151	179,808	229,695	250,322	265,593
2,485	485	1,565	2,552	6,997	9,622	18,673	20,922
65,749	53,535	57,038	46,485	21,071	(33,316)	(25,342)	(15,444)
316,574	324,590	249,793	215,758	220,668	211,808	248,453	260,428
363,668	394,294	330,015	321,870	293,683	289,335	296,573	292,660
2,775	2,375	3,375	3,275	2,275	2,750	2,400	2,350
49,869	72,079	83,597	109,387	75,290	80,277	50,520	34,582
115,618	125,614	140,635	155,872	96,361	46,961	25,178	19,138
28.9	31.4	35.2	39.0	24.1	11.7	6.3	4.8
57.8	62.8	70.3	77.9	48.2	23.5	12.6	9.6
86.7	94.2	105.5	116.9	72.3	35.2	18.9	14.4
115.6	125.6	140.6	155.9	96.4	47.0	25.2	19.1
448.6	480.0	515.1	554.1	578.2	589.9	596.2	601.0
897.1	959.9	1,030.3	1,108.2	1,156.4	1,179.9	1,192.4	1,202.0
1,345.7	1,439.9	1,545.4	1,662.3	1,734.6	1,769.8	1,788.7	1,803.0
1,794.3	1,919.9	2,060.5	2,216.4	2,312.8	2,359.7	2,384.9	2,404.0

Attachment #2

[redacted] (b) (6) **.vcf**

BEGIN:VCARD
VERSION:2.1
N;LANGUAGE=en-us [redacted] (b) (6)
FN [redacted] (b) (6)
ORG:US Department of Justice
TITLE:Senior Trial Counsel
TEL;WORK;VOICE: [redacted] (b) (6)
ADR;WORK;PREF:;;601 D St NW;Washington;DC;20004;United States of America
LABEL;WORK;PREF;ENCODING=QUOTED-PRINTABLE:601 D St NW=0D=0A=
Washington DC 20004
X-MS-OL-DEFAULT-POSTAL-ADDRESS:2
EMAIL;PREF;INTERNET [redacted] (b) (6)
X-MS-OL-DESIGN;CHARSET=utf-8:<card xmlns="http://schemas.microsoft.com/office/outlook/12/electronicbusinesscards" ver="1.0" layout="left" bgcolor="ffffff"><fld xmlns="" prop="name" align="left" dir="ltr" style="b" color="000000" size="10"/><fld xmlns="" prop="org" align="left" dir="ltr" color="000000" size="8"/><fld xmlns="" prop="title" align="left" dir="ltr" color="000000" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="telwork" align="left" dir="ltr" color="000000" size="8"><label align="right" color="626262">Work</label></fld><fld xmlns="" prop="email" align="left" dir="ltr" color="000000" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="addrwork" align="left" dir="ltr" color="000000" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="blank" size="8"/><fld xmlns="" prop="blank" size="8"/></card>
REV:20120906T194941Z
END:VCARD

Attachment #3

LIBOR_Baltimore initial complaint.pdf

Original view

28 pages (displayed on pages 8 to 35)

11 CIV 5450

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

MAYOR AND CITY COUNCIL OF BALTIMORE, on behalf of itself and all others similarly situated,

Plaintiff,

vs.

BANK OF AMERICA CORPORATION; BARCLAYS BANK PLC; CITIBANK NA; HSBC HOLDINGS PLC; J.P. MORGAN CHASE & CO.; LLOYDS BANKING GROUP PLC; UBS AG; and WESTLB AG.,

Defendants.

Case No. __________

CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL ANTITRUST LAWS

JURY TRIAL DEMANDED

Plaintiff Mayor and City Council of Baltimore ("Baltimore" or "Plaintiff"), on behalf of itself and all others similarly situated, brings this action against defendants Bank of America Corporation, Barclays Bank plc, Citibank NA, HSBC Holdings plc, JP Morgan Chase & Co., Lloyds Banking Group plc, UBS AG, and WestLB AG (collectively, "Defendants") and alleges as follows:

NATURE OF CLAIM

1. This action arises from Defendants' conspiracy to unlawfully manipulate the London Interbank Offered Rate for the U.S. dollar ("LIBOR") from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased, in violation of Section 1 of the Sherman Act, 15 U.S.C. § 1.

2. As alleged herein, during the Class Period (defined below), Defendants conspired to and did suppress and manipulate LIBOR throughout the Class Period.

3. Owned and administered by the British Bankers Association ("BBA"), LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

4. Every morning by 11:10 a.m. London time, the individual banks on the U.S. dollar LIBOR panel send data to Thompson Reuters Group ("Reuters"), a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

5. Throughout the Class Period, Defendants were members of the U.S. dollar LIBOR panel. Pursuant to their illegal conspiracy, Defendants knowingly and purposely submitted borrowing rates to Reuters that were below their true borrowing costs in order to suppress and manipulate LIBOR.

6. Defendants devised and executed their scheme to manipulate LIBOR in order to benefit their financial positions. Throughout the Class Period, Defendants sold financial products which tied rates of return to LIBOR. By manipulating LIBOR, Defendants paid lower returns to customers who bought those financial products.

7. Defendants' manipulation of LIBOR directly caused and resulted in an artificially lower LIBOR during the Class Period.

8. Defendants' conspiracy to suppress LIBOR violates Section 1 of the Sherman Act, 15 U.S.C. § 1. Plaintiff and members of the Class suffered damages by purchasing directly from Defendants during the Class Period financial products that had rates of return tied to LIBOR ("LIBOR-Based Derivatives"), as more fully alleged herein.

JURISDICTION AND VENUE

9. This action arises under Section 1 of the Sherman Act, 15 U.S.C., § 1, and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

10. This Court has jurisdiction under 28 U.S.C. §§ 1331 and 1337 and Sections 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26.

11. Venue is proper in this District pursuant to Sections 4, 12 and 16 of the Clayton Act, 15 U.S.C. §§ 15, 22 and 26 and 28 U.S.C. § 1391(b), (c) and (d). One or more of the Defendants resided, transacted business, were found, or had agents in the District, a substantial part of the events giving rise to Plaintiff's claims arose in the District, and a substantial portion of the affected interstate trade and commerce described herein has been carried out in this District.

PARTIES

12. During the Class Period, Plaintiff Baltimore purchased tens of millions of dollars worth of Interest Rate Swaps directly from at least one Defendant in which the rate of return was tied to LIBOR and was injured as a result of Defendants' anticompetitive conduct.

13. Defendant Bank of America Corporation ("Bank of America") is a Delaware corporation headquartered in Charlotte, North Carolina. During the Class Period, Bank of America was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

14. Defendant Barclays Bank plc ("Barclays") is a British public limited company headquartered in London, England. During the Class Period, Barclays was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

15. Defendant Citibank NA ("Citibank") is a wholly-owned subsidiary of the United States financial services corporation Citigroup, Inc., which is headquartered in New York, New York. During the Class Period, Citibank was a member of the British Bankers' Associations' U.S. dollar LIBOR panel.

16. Defendant HSBC Holdings plc ("HSBC Holdings") is a United Kingdom public company with its corporate headquarters in London, England. During the Class Period, HSBC was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

17. Defendant J.P. Morgan Chase & Co. ("JP Morgan") is a Delaware financial holding company headquartered in New York, New York. During the Class Period, JP Morgan was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

18. Defendant Lloyds Banking Group plc ("Lloyds") is a United Kingdom public limited company with its corporate headquarters in London, England. Lloyds was formed in 2009 through the acquisition of HBOS plc ("HBOS") and Lloyds TSB Bank plc ("Lloyds TSB"). During the Class Period, both HBOS and Lloyds TSB were members of the British Bankers' Association's U.S. dollar LIBOR panel.

19. Defendant UBS AG ("UBS") is a Swiss company based in Basel and Zurich, Switzerland. During the Class Period, UBS was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

20. Defendant WestLB AG ("WestLB") is a German joint stock company headquartered in Dusseldorf, Germany. During the Class Period, WestLB was a member of the British Bankers' Association's U.S. dollar LIBOR panel.

UNNAMED CO-CONSPIRATORS

21. Various other entities and individuals not named as Defendants in this Complaint participated as co-conspirators in the acts complained of, and performed acts and made statements which aided and abetted and was in furtherance of the unlawful conduct alleged herein.

THE RELEVANT MARKET

22. The relevant market is LIBOR-Based Derivatives sold directly by Defendants.

CLASS ACTION ALLEGATIONS

23. Plaintiff brings this action as a class action under Rules 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure, on behalf of itself and all others similarly situated. The "Class" is defined as:

> All persons or entities other than Defendants and their employees, affiliates, parents, subsidiaries or co-conspirators (whether or not named in this Complaint) who purchased LIBOR-Based Derivatives directly from Defendants, including their subsidiaries and/or affiliates, from August 1, 2007 through such time as the effects of Defendants' illegal conduct ceased.

24. The Class is so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time, Plaintiff is informed and

believes that at least thousands of geographically dispersed Class members purchased LIBOR-Based Derivatives directly from Defendants during the Class Period.

25. Plaintiff's claims are typical of the claims of the other members of the Class. Plaintiff and the members of the Class sustained damages arising out of Defendants' common course of conduct in violation of law as complained herein. The injuries and damages of each member of the Class were directly caused by Defendants' wrongful conduct in violation of the antitrust laws as alleged herein.

26. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class action litigation, including antitrust class action litigation.

27. Common questions of law and fact exist as to all members of the Class which predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether Defendants conspired with others to artificially suppress LIBOR in violation of the Sherman Act;

(b) Whether Defendants' conduct had an anticompetitive and manipulative effect on LIBOR during the Class Period;

(c) Whether Defendants' conduct negatively affected the rates of return of LIBOR-Based Derivatives purchased directly from the Defendants during the Class Period; and

(d) The appropriate measure of damages for the injury sustained by Plaintiff and other members of the Class as a result of Defendants' unlawful activities.

28. A class action is superior to other available methods for the fair and efficient adjudication of this controversy because joinder of all Class members is impracticable. The

prosecution of separate actions by individual members of the Class would impose heavy burdens upon the courts and Defendants, and would create a risk of inconsistent or varying adjudications of the questions of law and fact common to the Class. A class action, on the other hand, would achieve substantial economies of time, effort and expense, and would assure uniformity of decision as to persons similarly situated without sacrificing procedural fairness or bringing about other undesirable results.

29. The interest of members of the Class in individually controlling the prosecution of separate actions is theoretical rather than practical. The Class has a high degree of cohesion, and prosecution of the action through representatives would be unobjectionable. The amounts at stake for Class members, while substantial in the aggregate, are not great enough individually to enable them to maintain separate suits against Defendants. Plaintiff does not anticipate any difficulty in the management of this action as a class action.

FACTUAL ALLEGATIONS

I. Background

A. Overview of LIBOR

30. Administered and owned by the BBA, LIBOR is a daily benchmark interest rate based on the trimmed average of interest rates at which designated contributor banks borrow unsecured funds from other banks in the London wholesale money market for maturities ranging from overnight to one year. LIBOR is calculated for 10 different currencies.

31. Every morning by 11:10 a.m. London time, the individual banks on the U.S. Dollar LIBOR panel send data to Reuters, a news information provider reporting what it would cost them to "borrow funds, were [they] to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time." Reuters makes those rates

public, which constitutes the day's LIBOR. Prior to February 2011, 16 banks sat on the U.S. Dollar LIBOR panel and Reuters determined LIBOR by discarding the lowest four and highest four of the reported estimates, and calculating the average of the remaining eight. In February 2011, the panel size was increased to 20 banks and Reuters now calculates LIBOR from the rates provided by eliminating the five highest and five lowest rates and averaging the remaining 10.

B. <u>LIBOR-Based Derivatives</u>

32. LIBOR is the primary benchmark for short-term interest rates globally.

33. According to the BBA, "the objectivity and accuracy of the [LIBOR] rates allowed derivatives to be created based on the data as a reference, and this has flourished to become an enormously successful cornerstone of business transacted in London and worldwide."

34. The perceived integrity of LIBOR allows many derivative products to be priced based on LIBOR. About $350 trillion worth of financial products globally reference LIBOR. To the extent that LIBOR is mispriced, these derivatives are also mispriced.

II. <u>Defendants Unlawfully Conspired to Suppress and Manipulate LIBOR</u>

35. In August, 2007, LIBOR began behaving erratically. Overnight, LIBOR began a period in which it dramatically decoupled from other financial indicators that had historically functioned as benchmarks. Reports initially assumed that low liquidity and increased credit risk endemic to the financial crisis were the likely contributing factors to the aberrant behavior of LIBOR. Subsequent examination reflects that Defendants were conspiring to artificially manipulate LIBOR to the benefit of their LIBOR-Based Derivatives positions.

36. As set forth below, Defendants' conspiracy to manipulate LIBOR throughout the Class Period is evidenced by several forms of analysis. During the Class Period, LIBOR shattered its historical relationships with various economic benchmarks, signifying that it was no longer representative of external market forces and was a result of manipulation by the

Defendants. Additionally, LIBOR has been shown to respond to external criticism, demonstrating that it was intentionally manipulated by Defendants, as opposed to reflecting an objective report of market conditions.

37. An examination of Defendants' LIBOR quotes reveals inconsistencies among Defendants' reporting across currencies and on a day-to-day basis, which supports the fact that Defendants purposefully and collectively agreed to underreport their actual borrowing costs in order to artificially and unlawfully suppress LIBOR. In so doing, they reaped massive profits from their enormous LIBOR-Based Derivatives positions, which directly benefited from their artificial suppression of LIBOR.

A. The Defendants' Unlawful Manipulation Of LIBOR

38. On December 12, 2007, the day after the Federal Reserve cut short-term interest rates for the third time that year in an effort to help ease the credit crunch and reduce the chances of an impending recession, The Wall Street Journal ("Journal") published an article predicting that continued worry over the credit crisis would effectively keep LIBOR rates high, even as other short-term interest rates would continue to fall. In fact, the Journal quoted one mortgage banker as stating that historically, in times of credit crisis, LIBOR rates have tended to spike.

39. Despite the Journal's prediction, in the early months of 2008, during the most significant financial crisis since the great depression, U.S. dollar-denominated LIBOR rates submitted by panel banks did not vary markedly, nor did they increase or decrease sharply. This fact did not correspond to traditional market behavior because in times of severe uncertainty, banks would normally be reluctant to lend to one another on an unsecured basis without receiving a higher risk premium.

40. In a market not artificially manipulated, LIBOR rates should have increased significantly during this period. In addition, because different panel banks were experiencing

different levels of economic stress, the panel banks should have been reporting markedly different borrowing rates. None of this was reflected in LIBOR rates reported by Defendants.

41. On April 16, 2008, the Journal published an article detailing the findings of a three month study it conducted into the borrowing rates of the 16 banks forming the U.S. dollar LIBOR panel. The Journal concluded that a number of banks – specifically Citibank, WestLB, HBOS, JP Morgan and UBS – had been reporting significantly lower borrowing costs than what other market measures suggest they should have been reporting. The Journal attributed this disparity to certain panel banks intentionally understating their borrowing rates.

42. The Journal's examination of the borrowing costs submitted by the panel banks during the first four months of 2008 indicated that the panel banks reported remarkably similar borrowing rates despite the fact that the banks were facing different financial stresses. For the first four months of 2008, for example, the three-month borrowing rates reported by the panel banks remained, on average, within a range of only .06 of a percentage point.

43. According to Professor Darrell Duffie, a Stanford University finance professor, the reported rates during the first four months of 2008 "[were] far too similar to be believed."

44. David Juran, a statistics professor at Columbia University who reviewed the Journal's methodology, concluded that the Journal's calculations demonstrate "very convincingly" that reported LIBOR rates are lower than what the market thinks they should be by a factor which well surpassed the threshold statisticians use to assess the significance of a result.

45. Following the Journal's April 16, 2008 report that the panel banks may be intentionally understating their borrowing rates, the BBA announced it would review LIBOR reporting process and remove any bank found to be reporting inaccurate rates from the panel.

46. In November 2007 and again in April 2008, the money market committee of the Bank of England raised questions about the integrity of LIBOR. The minutes of the committee's November 2007 meeting stated that, "several group members thought that Libor fixings had been lower than actual traded interbank rates." Minutes from the April, 2008 committee meeting noted that "U.S. dollar Libor rates had at times appeared lower than actual traded interbank rates." Similarly, Citigroup interest-rate strategist Scott Peng raised similar questions, writing that "Libor at times no longer represents the level at which banks extend loans to others."

47. On April 17, 2008, just days after the Journal published its analysis, there was a sudden jump in the U.S. dollar-denominated LIBOR. The benchmark dollar rate for three-month borrowing hit 2.1875% Thursday, or about .08 percentage points more than the 2.735% rate set on Wednesday.

48. Suspiciously, reported LIBOR rates for other currencies fell or remained relatively flat at the time the U.S. dollar LIBOR surged, a sign that the U.S. dollar LIBOR rate was susceptible to manipulation.

49. Notably, the significant move in the U.S. dollar-denominated LIBOR closely followed the BBA's announcement that it was accelerating its inquiry into the daily borrowing rates that banks provide to establish LIBOR rate.

50. The BBA's decision to speed up its inquiry was made in response to concerns expressed by bankers and the financial media that certain panel banks were not accurately reporting the rates they were paying for short-term loans.

51. In a note to clients the day after LIBOR surged, UBS strategist William O'Donnell suggested that the panel banks were responding to the heightened scrutiny, noting that

the BBA's announcement of its inquiry was an attempt "to bring publicly posted rates back into line with the shadow interbank money rate market."

52. At the time, William Porter, credit strategist at Credit Suisse, said he believed the three-month U.S. dollar LIBOR was .4 percentage points below where it should be. That echoed the view of Scott Peng, who concluded that LIBOR understated panel banks' true borrowing costs by as much as .3 percentage points.

B. Empirical Evidence Confirms Defendants' Manipulative and Conspiratorial Conduct

53. One of the unique characteristics of LIBOR's calculation is its opaqueness. The method for LIBOR calculation is only transparent to the extent that each panel bank reports to Reuters its borrowing rate and Reuters publicizes the rates and computes LIBOR. The internal calculations and methodology of the panel banks in determining their borrowing rates are unobservable to the public. This renders LIBOR susceptible to manipulation by Defendants. Since LIBOR is the basis for a large number of daily financial transactions, comparisons to observable market rates have historically been monitored.

54. In reaction to the media reports of LIBOR manipulation, various empirical studies have demonstrated that the aberrant behavior of LIBOR during the Class Period is suggestive of collective agreement amongst Defendants to manipulate and suppress LIBOR. During the Class Period, LIBOR deviated dramatically from its historic relationships with other economic indicators. This sudden and dramatic variation is consistent with the fact that LIBOR was in fact being manipulated by Defendants, as opposed to accurately reporting market characteristics.

1. LIBOR Diverges From Its Historical Relationship With The Eurodollar

55. The U.S. dollar LIBOR, in effect, measures the interest rate offered to panel banks to borrow U.S. dollar deposits, also known as Eurodollars. Eurodollars are also traded in

the market, and the market rate for Eurodollars is commonly seen as the best market proxy for LIBOR. An analysis conducted by Connan Snider, a Professor at UCLA and Thomas Youle, emphasized that, prior to August 2007, the previous day's Eurodollar bid rate was a better predictor of LIBOR than the previous days LIBOR.

56. Historically, the difference between LIBOR and Eurodollar rate, known as LIBOR/Eurodollar spread (effectively LIBOR minus the Eurodollar bid rate), average 2.75 basis points.[1] The spread was almost always positive, meaning the Eurodollar rate was slightly lower, reflecting the measurement of LIBOR as an offer rate and the Eurodollar rate as a bid rate on U.S. dollar deposits. After August 2007, Defendants' manipulation and suppression of LIBOR resulted in a decoupling of LIBOR and the Eurodollar rate, and a reversal of the relationship so that the spread was negative. In the post manipulation period, the average spread was -24.70 basis points.

57. Even more indicative of Defendants' manipulation was that after August 2007, LIBOR/Eurodollar spread became strongly negative as opposed to the historical mildly positive relationship, as illustrated by the chart below. This change in the historical relationship is evidence of the downward manipulation of LIBOR. In some cases, LIBOR was 15 to 20 basis points lower than the Eurodollar market rate. In effect, LIBOR reported that banks were offering Eurodollars at a rate lower than market participants were actually buying them, a result that strongly indicates Defendants' manipulation of LIBOR.

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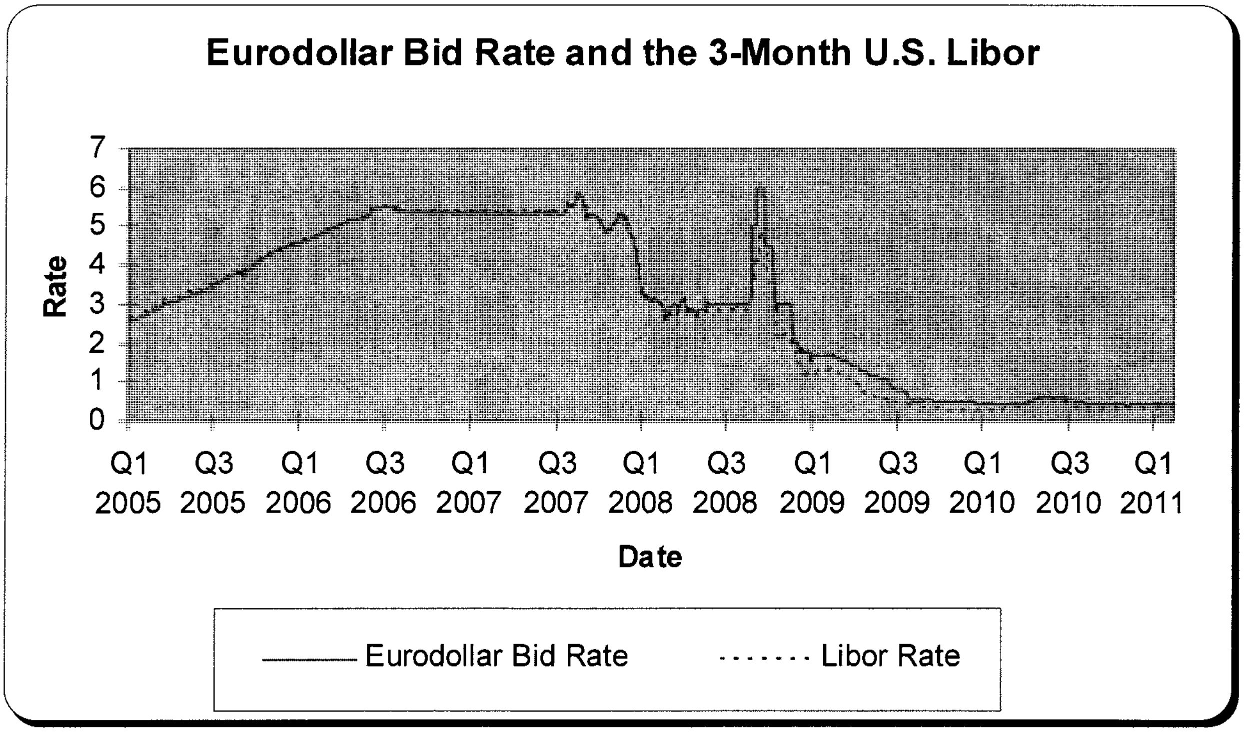
[1] A "basis point" is a term commonly used to measure a financial instrument, interest rates. A basis point is equal to 1/100th of 1%. It is a commonly used term of measurement for financial instruments because daily rate changes are typically smaller than 1 percent, though small changes have huge financial effects.



58. When Snider and Youle performed the identical analysis for the period after August 2007, they found that the previous day's Eurodollar rate had less predictive power on LIBOR. In fact, as LIBOR dropped below the Eurodollar rate, the previous day's LIBOR became a better predictor of the current LIBOR. This demonstrates that LIBOR was no longer responding to market forces, but instead was the product of Defendants' manipulation.

2. LIBOR Diverges From Its Historical Relationship With Credit Default Swaps

59. A credit default swap ("CDS") is a swap contract and agreement in which the protection buyer of the CDS makes a series of payments (often referred to as the CDS "fee" or "spread") to the protection seller and, in exchange, receives a payment if the underlying credit instrument (typically a bond or loan) experiences a credit event. The spread serves as a measure of the perceived risk of default by the entity issuing the underlying bond or receiving the loan. The greater the risk of default on the underlying bond or loan, the greater the spread. In the case

of a CDS whose underlying instrument is an interbank loan in which a panel bank is the borrower, the greater the perceived risk that the panel bank will default on the loan, the higher its CDS spread.

60. CDSs are a useful benchmark for LIBOR because both CDSs and LIBOR are a measure of perceived credit risks. On May 29, 2008, Carrick Mollenkamp and Mark Whitehouse ("Mollenkamp and Whitehouse") published an article in the Journal, emphasizing significant disparities between certain panel banks' perceived risk in the CDS market and their LIBOR reporting. A higher CDS spread is indicative of a larger perceived risk in lending to an institution because it represents the cost of insuring against a default on that loan.

61. In their analysis, which followed Mollenkamp and Whitehouse, Snider and Youle performed two separate comparisons between LIBOR and CDSs to highlight inconsistencies in LIBOR reporting. First, they noted that a specific reporting bank may have a comparatively higher CDS spread than a second reporting bank (and therefore be perceived as comparatively "riskier"), while simultaneously having a lower LIBOR than the same bank (which would indicate that it is perceived as a "less risky" investment). For example, Citigroup consistently has a substantially higher CDS spread than the Bank of Tokyo – Mitsubishi, yet Citigroup reported comparatively lower LIBOR quotes. Mollenkamp and Whitehouse also noted the same pattern.

C. Inconsistencies With LIBOR Reporting By Individual Banks

62. A close examination of the borrowing rates reported by Defendants to Reuters for calculation of LIBOR during the Class period and each bank's incentive to manipulate LIBOR further evidences Defendants' conspiracy to manipulate and suppress LIBOR. For example, Alexandre Harthieser of ESCP Europe and Natixis Bank and Phillippe K. Spieser, Professor of

Finance at ESCP Europe, performed clustering analysis on the panel members' individual reporting and concluded that "a suspect cartel has been identified."

1. Panel Banks Report Inconsistent Rates Across Currencies

63. Panel Banks report LIBOR across different currencies each day. Since LIBOR is a measure of a bank's stability as an institution, absent manipulation, the comparative ranking of panel banks should largely be the same across different currencies (allowing for the variation in panel composition across currencies). A comparison of LIBOR across different currencies shows this is not consistently so.

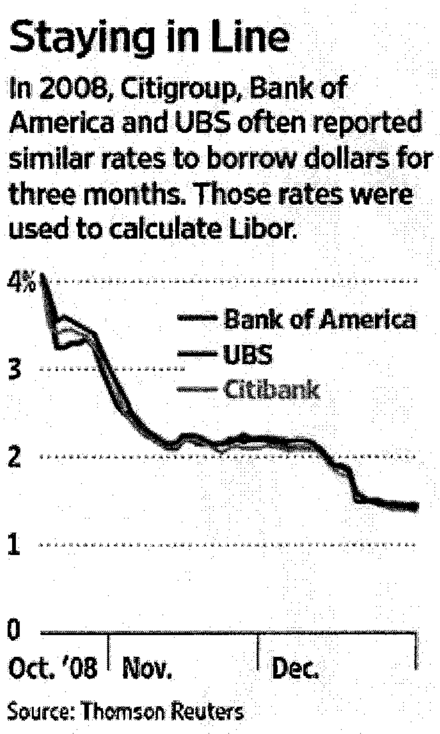
64. For example, Bank of America and Bank of Tokyo-Mitsubishi both report rates to Reuters for calculation of the U.S. dollar and Yen LIBOR. Over the manipulation period, it was common for Bank of America to simultaneously quote a lower rate than Bank of Tokyo-Mitsubishi in U.S. dollar LIBOR and a higher quote in the Yen LIBOR. Since institutional risk should be the same for each panel bank regardless of the what currency it is measured in, this indicates that the rates being reported do not accurately reflect market conditions and are an indication of manipulation.

2. Bunching

65. Throughout the Class Period, the rates reported by certain Defendants "bunch" around the fourth lowest quote each day. That is to say that the rates reported by those Defendants to Reuters were consistently near the fourth lowest of the 16 panel banks. Since Reuters, at the time, calculated LIBOR by removing the lowest (and highest) four reported rates everyday, bunching around the fourth lowest rate is suggestive that those Defendants collectively acted and colluded to suppress and manipulate LIBOR.

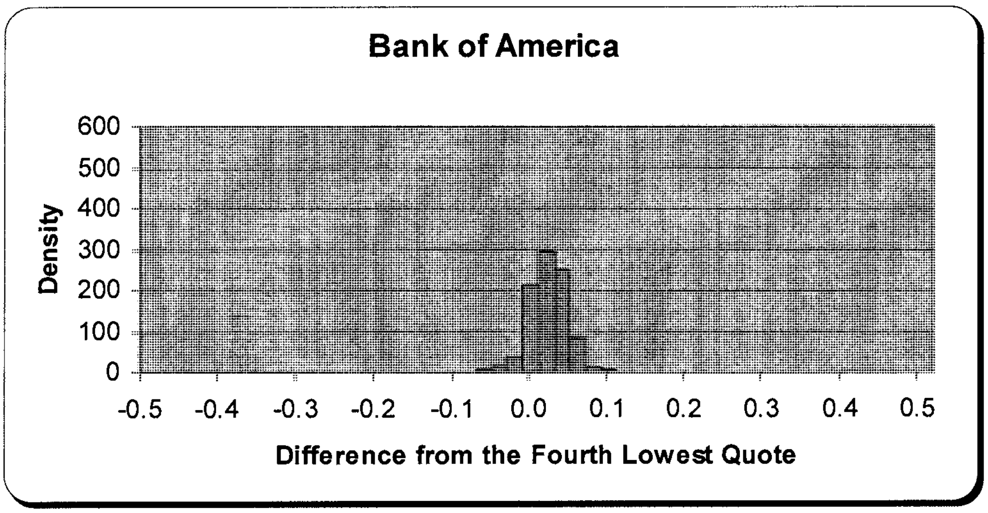
66. As an initial matter, bunching among Defendants' reported rates demonstrates that Defendants intended to report the same or similar rates. The individual variation between

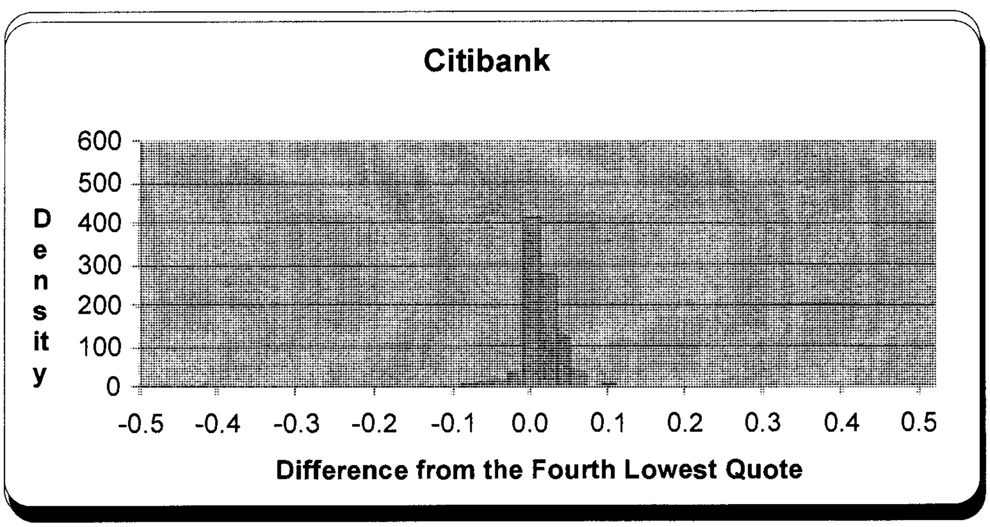
the financial situation of each reporting bank should lead to differences in the reported rates. The fact that, throughout the Class Period, Defendants repeatedly reported identical rates to Reuters is an indication that the Defendants were conspiring to manipulate LIBOR. The chart below, for example, indicates that, in late 2008, Bank of America, UBS and Citibank reported nearly identical rates to borrow dollars for three months.



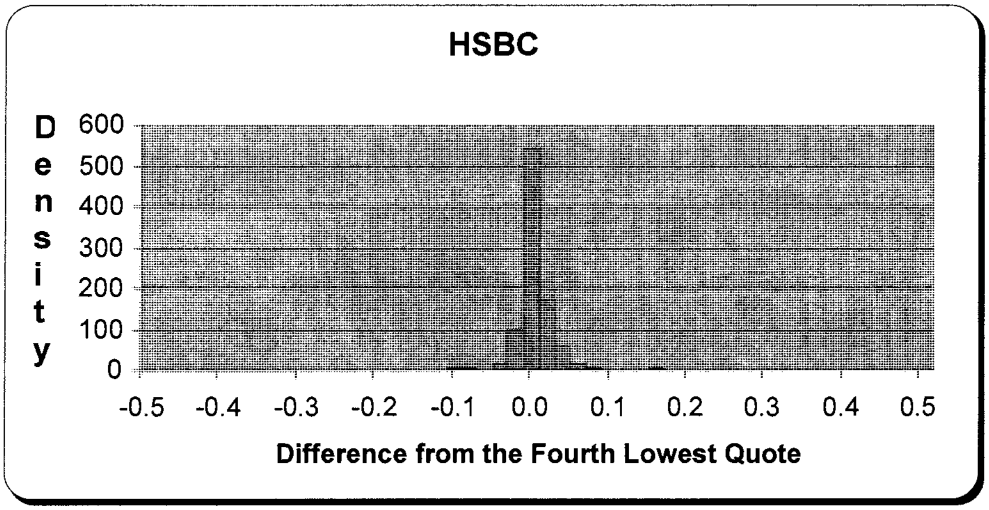
67. Further, certain Defendants' consistent bunching of their reported rates at or near the fourth lowest position is suggestive of their intent to artificially suppress LIBOR. This is because the fifth lowest quote is the lowest quote that is included by Reuters in calculating the day's LIBOR. Defendants' clustering at or near the fourth lowest rate ensures that the artificially low rates reported by Defendants will be included in the BBA's daily calculation resulting in the artificial suppression of LIBOR.

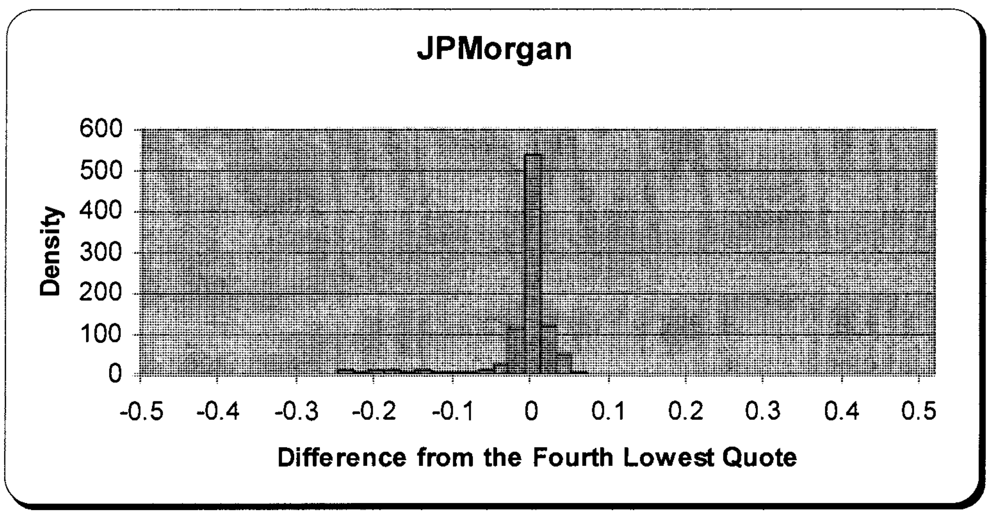
68. The following charts of daily U.S. dollar LIBOR reported rates show the frequency with which Defendants Bank of America, Citibank, HSBC, and JP Morgan reported within a given percentage rate from the 4th lowest quote. A negative difference means that they were below the 4th lowest quote, and therefore not included in the daily LIBOR calculation. Zero difference means that they either were the 4th lowest quote on a given day or tied at the same value as the 4th lowest quote.[2]





[2] If there is a tie between LIBOR quotes on a given day, one of the banks' quotes is discarded at random.





69. While bunching is reflective of Defendants' intention to report the lowest borrowing rate to be calculated by Reuters, *i.e.*, the fifth lowest borrowing rate, this does not suggest that the panel banks reporting the four lowest quotes (quotes that are discarded by Reuters) are not members of the conspiracy. Due to the mechanics of LIBOR calculation, there will always be discounted outliers. If all of the panel banks reported the same low rate, the lowest four would always be discounted. Therefore by bunching quoted rates around the 4th lowest rate, the panel banks ensured the maximum downward manipulation.

3. Defendants Had Significant Incentives to Manipulate LIBOR

70. Defendants held significant financial positions in LIBOR-Based Derivatives, such as in exchange-traded futures contracts and in over-the-counter Interest Rate Swaps, providing them incentive to suppress LIBOR. Defendants' positions in Interest Rate Swaps, for example, were so large throughout the Class Period, that even a small unhedged exposure to LIBOR-Based Derivatives would create enormous financial incentives for Defendants to manipulate LIBOR. Furthermore, when LIBOR experienced a significant drop in Q1 2009, Defendants reaped billions of dollars in profits. It was no accident that Defendants experienced sharply increased profits in their Interest Rate Swap positions at the time LIBOR fell – Defendants purposely took positions in Interest Rate Swaps, which benefited from their suppression of LIBOR. Upon information and belief, throughout the Class Period, Defendants' manipulation and suppression of LIBOR benefited their other LIBOR-Based derivative positions as well.

71. As a result of these incentives Defendants' trading positions came to dominate their reporting obligations to the BBA. A Financial Times article reports, for example, that Barclays is currently under investigation by the regulatory authorities of the United States and the United Kingdom for violating "Chinese Wall" rules which restrict information sharing between different parts of the bank. Barclays' treasury department submits its daily borrowing costs to the BBA and is walled-off from its traders. Barclays is being investigated regarding communications between its traders and its treasury department which improperly influenced the daily submission process.

III. Governmental Investigations

72. Defendants' conspiracy to manipulate and make artificial LIBOR-Based Derivatives during the Class Period has spurred investigations by numerous government regulatory agencies into the reporting practices of various banks on the U.S. dollar panel.

73. The regulatory investigations were first publicly disclosed on March 15, 2011, when UBS disclosed in its annual report that it had received subpoenas from the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the United States Department of Justice, as well as an information request from the Japanese Financial Supervisory Agency, relating to its reporting of lending rates to Reuters for calculation of LIBOR. UBS's disclosure states that the focus of the investigations is "whether there were improper attempts by UBS, either acting on its own or together with others, to manipulate LIBOR at certain times." Other Defendants have subsequently disclosed that they are subject to investigation by regulatory authorities related to LIBOR. On August 1, 2011, for example, HSBC released its 2011 Interim Results and Barclays released its Half-Yearly Report in the United Kingdom, each disclosing that they were under investigation by various regulatory authorities around the World. Barclays specifically identified investigations by the United Kingdom Financial Services Authority, the Commodity Futures Trading Commission, the Securities and Exchange Commission, the Department of Justice Fraud Section of the Criminal Division and Antitrust Division' and the European Commission. The <u>Journal</u> has reported that the investigators are looking into whether the banks effectively formed a global cartel and coordinated how to report borrowing costs between 2006 and 2008.

74. A <u>Financial Times</u> article published the same day as UBS's disclosure reported that the three U.S. agencies the Japanese Financial Supervisory Agency and the United Kingdom's Financial Services Authority had also requested information, and had begun interviewing witnesses, connected to Defendants for several months.

75. On July 26, 2011, the <u>Financial Times</u> reported that investigators had expanded their probe to include yen-based LIBOR and the Tokyo interbank offered rate ("TIBOR"). In its

results announcement made that day, UBS confirmed that the investigation's scope had widened and disclosed that it had received "conditional leniency and conditional immunity" from the United States Department of Justice for turning over information on the setting of yen-based LIBOR and of the Tokyo interbank offered rate ("TIBOR"). UBS said that while its immunity stretched to the yen-based LIBOR and the TIBOR the deal did not bar the Department of Justice or other "government agencies from asserting other claims against us". The Antitrust Division's leniency policies were established for corporations and individuals "reporting their illegal antitrust activity" and the policies protect leniency recipients from criminal conviction. Notably, each of the Defendants from 2006 to 2009 were members of the yen-based LIBOR panel.

76. Latham & Watkins LLP has observed that the coordinated antitrust investigations in the United States, EU, UK, and Japan indicate that the enforcers are cooperating with each other and that the antitrust investigations may have been triggered by one of the banks taking advantage of the Antitrust Division's Corporate Leniency Policy, as well as other leniency policies around the globe.

FRAUDULENT CONCEALMENT

77. By its very nature, the unlawful activity, as alleged herein, that Defendants engaged in was self-concealing. Defendants, *inter alia*, conspired and engaged in secret and surreptitious activities in order to manipulate LIBOR.

78. Defendants fraudulently concealed their participation in their conspiracy to manipulate LIBOR by, among other things, engaging in secret meetings and communications in furtherance of the conspiracies. Because of such fraudulent concealment, and the fact that a conspiracy in restraint of trade is inherently self-concealing, Plaintiff and the members of the

Class could not have discovered the existence of Defendants' conspiracy and manipulation any earlier than public disclosures thereof.

79. Defendants agreed among themselves not to discuss publicly or otherwise reveal the nature and substance of the acts and communications in furtherance of their illegal conspiracy and manipulation.

80. Defendants' actions in fraudulently concealing their illegal conspiracy caused the BBA, the organization that owns and administers LIBOR, to issue a number of statements defending the integrity of LIBOR.

81. For instance, in a statement issued in May 2008, in response to published reports suggesting that Defendants had artificially suppressed LIBOR as evidenced by the decoupling of LIBOR from the CDS market, a BBA spokeswoman announced that there was "no indication" that the default-insurance market provides a more accurate picture of banks' borrowing costs than LIBOR.

82. In June 2009, John Ewan, director of the BBA, represented that LIBOR was "not a false signal to the markets." Even as recently as March 2011, in response to UBS's disclosure that it was the subject of government investigations in connection with Defendants' suppression of LIBOR, the BBA issued a statement characterizing LIBOR as an "accurate and reliable benchmark[]."

83. Plaintiff and members of the Class were lulled into believing that the returns on their LIBOR-Based Derivatives were the result of market conditions, rather than the product of Defendants' manipulation and collusive activities.

84. Because of Defendants' active steps, including fraudulent concealment of their conspiracy to prevent Plaintiffs and members of the Classes from suing them for the

anticompetitive activities alleged in this Complaint, Defendants are equitably estopped from asserting that any otherwise applicable limitations period has run.

DEFENDANTS' ANTITRUST VIOLATIONS

85. Beginning at least as early as August 1, 2007, and continuing until at least the date of the filing of the Complaint, the exact dates being unknown to Plaintiff, Defendants and their co-conspirators engaged in a continuing agreement, understanding, or conspiracy in restraint of trade to artificially fix, maintain, suppress and stabilize LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them.

86. In formulating and effectuating the contract, combination, or conspiracy, Defendants and their co-conspirators engaged in anticompetitive activities, the purpose and effect of which were to fix, maintain, suppress and otherwise make artificial the price of LIBOR-Based Derivatives. These activities included the following:

(a) Defendants participated in meetings and/or conversations to unlawfully discuss their reporting of their borrowing rates to Reuters for calculation of the daily LIBOR;

(b) Defendants agreed during those meetings and conversations to unlawfully report their borrowing rates to Reuters for calculation of LIBOR in order to drive down LIBOR and otherwise to depress or make artificial LIBOR;

(c) Defendants signaled to one another their intention to depress or otherwise make artificial LIBOR and colluded with one another in achieving this unlawful and anticompetitive purpose; and

(d) Pursuant to such an unlawful conspiracy in restraint of trade, Defendants knowingly and collusively traded in order to depress or otherwise make artificial the price of LIBOR-Based Derivatives.

ALLEGATIONS OF ANTITRUST INJURY TO PLAINTIFF AND THE CLASS

87. Defendants' anticompetitive conduct had severe adverse consequences on competition in that Plaintiff and other members of the Class who traded in LIBOR-Based Derivatives during the Class Period were trading at artificially determined prices that were made artificial as a result of Defendants' unlawful conduct. As a consequence thereof, Plaintiff and the Class suffered financial losses and were, therefore, injured in their business or property.

COUNT ONE

VIOLATIONS OF SECTION 1 OF THE SHERMAN ACT

88. Plaintiff incorporates by reference the preceding allegations.

89. Defendants and their unnamed co-conspirators entered into and engaged in a conspiracy in unreasonable restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act.

90. During the Class Period, Defendants controlled what LIBOR rate would be reported and therefore controlled the rates of return on LIBOR-Based Derivatives sold by them.

91. The conspiracy consisted of a continuing agreement, understanding or concerted action between and among Defendants and their co-conspirators in furtherance of which Defendants fixed, maintained, suppressed and stabilized LIBOR and thus the prices and rates of return on LIBOR-Based Derivatives sold by them. Defendants' conspiracy is a *per se* violation of the federal antitrust laws and is, in any event, an unreasonable and unlawful restraint of trade and commerce.

92. Defendants' conspiracy, and resulting impact on the market for LIBOR-Based Derivatives, occurred in or affected interstate and foreign commerce.

93. As a proximate result of Defendants' unlawful conduct, Plaintiff and members of the Class have suffered injury to their business or property.

94. Plaintiff and members of the Class are each entitled to treble damages for the violations of the Sherman Act alleged herein.

COUNT TWO

UNJUST ENRICHMENT AND RESTITUTION

95. Plaintiff incorporates by reference the preceding allegations.

96. It would be inequitable for Defendants to be permitted to retain the benefit which Defendants obtained from their manipulative acts and at the expense of Plaintiff and members of the Class.

97. Plaintiff and members of the Class are entitled to the establishment of a constructive trust impressed on the benefits to Defendants from their unjust enrichment and inequitable conduct.

98. Alternatively or additionally each Defendant should pay restitution or its own unjust enrichment to Plaintiff and members of the Class.

RELIEF SOUGHT

Accordingly, Plaintiff demands relief as follows:

A. That the Court determine that this action may be maintained as a class action under Rule 23(b)(3) of the Federal Rules of Civil Procedure, that Plaintiff be appointed as class representative, and that Plaintiff's counsel be appointed as counsel for the Class;

B. That the unlawful conduct alleged herein be adjudged and decreed to be an unlawful restraint of trade in violation of Section 1 of the Sherman Act and Section 4 of the Clayton Act;

C. That Defendants, their subsidiaries, affiliates, successors, transferees, assignees and the respective officers, directors, partners, agents, and employees and all other persons acting or claiming to act on their behalf, be permanently enjoined and restrained from continuing and maintaining the conspiracy alleged in the Complaint;

D. That Plaintiff and the Class recover damages, as provided under federal antitrust laws, and that a joint and several judgment in favor of Plaintiff and the Class be entered against Defendants in an amount to be trebled in accordance with such laws;

E. That Plaintiff and the Class recover their costs of the suit, including attorneys' fees, as provided by law; and

F. That the Court direct such further relief it may deem just and proper.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38(a) of the Federal Rules of Civil Procedure, Plaintiff demands a jury trial as to all issues triable by a jury.

Dated: August 3, 2011

Respectfully submitted,

Arun Subramanian
William Christopher Carmody
SUSMAN GODFREY L.L.P.
560 Lexington Avenue, 15th Floor
New York, New York 10022
Telephone: (212) 336-8330
Facsimile: (212) 336-8340

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Michael D. Hausfeld
William P. Butterfield
Ralph J. Bunche
HAUSFELD LLP
1700 K St. NW, Suite 650
Washington, D.C. 20006
Telephone: (202) 540-7200
Facsimile: (202) 540-7201

Counsel for Plaintiff and the Proposed Class

RE: LIBOR and the GSEs

Item ID:	31790
From:	Parker, Richard <Richard.Parker@fhfaoig.gov>
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: LIBOR and the GSEs
Sent:	September 7, 2012 12:55 PM
Received:	September 7, 2012 12:55 PM

See the below. You're in the on deck circle. – R From: Linick, Steve Sent: Friday, September 07, 2012 12:54 PM To: Parker, Richard Cc: DiSanto, Emilia Subject: RE: LIBOR and the GSEs Grt. Tx Sent from my Windows Phone From: Parker, Richard Sent: 9/7/2012 12:38 PM To: Linick, Steve Cc: DiSanto, Emilia Subject: FW: LIBOR and the GSEs Steve, Per our conversation, I have asked Tim to assemble a memo to Ed from you that outlines the LIBOR issue as it relates to the Enterprises and the OIG's work in the area. By early next week we'll have something that you can look at and provide direction from. Enclosed is a brief encapsulation of yesterday's meeting with the Agency on the LIBOR issue. Rich From: Lee, Timothy Sent: Thursday, September 06, 2012 4:39 PM To: Parker, Richard Subject: FW: LIBOR and the GSEs Hi Rich, FYI. This basically recaps today's conversation. [redacted] (b) (5) As the note says, I expect to line up a call and make introductions early next week to move matters along. Tim From: Lee, Timothy Sent: Thursday, September 06, 2012 4:34 PM To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov); stephen.cross@fhfa.gov ; fred.graham@fhfa.gov ; Sciacca, Christie (Christie.Sciacca@fhfa.gov) Subject: LIBOR and the GSEs Hi Jon, Steve, Fred, Christie and Nina, Following up from our meeting, please find several files attached as additional background. · The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprises' net "receive floating" interest rate swaps positions, relative to the "fair" amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge [redacted] (b) (5) (b) (5) (b) (5) (b) (5) · The Baltimore LIBOR complaint is also attached; it defines "Class" on page 5, paragraph 23 [redacted] (b) (5) . [redacted] (b) (5) They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: Questioned costs

Item ID:	31793
From:	Parker, Richard [redacted] (b) (6)
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: Questioned costs
Sent:	September 8, 2012 12:29 PM
Received:	September 8, 2012 12:29 PM

Tim,

Excellent question. Although the statute is vague, our OIG policy on the matter (which OPOR wrote in large part) is not. So, the answers to your ROI-related questions (what is it and how do we claim it) are within reach. Check the OAd section of the

SharePoint site. My recollection is that the amount must be fixed and reside in a recommendation made at the end of a report, the body of which was developed pursuant to the standards contained in the blue or yellow book.

Sent from my Windows Phone

From:

Lee, Timothy

Sent:

9/8/2012 11:21 AM

To:

Parker, Richard

Subject:

Questioned costs

Hi Old Salt,

Here is a question that came to me at the Greenmarket (or at least what passes for a Greenmarket in the South): what is the definition of â€œquestioned costsâ€ under the Inspector General Act? [redacted] (b) (5)

Just a thought. Getting a letter out over the next couple of days is eminently doable. [redacted] (b) (5).

Tim

Timothy Lee

Senior Policy Advisor, FHFA-OIG

202-730-2821

RE: Questioned costs

Item ID:	31792
From:	Parker, Richard [redacted] (b) (6)
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>
Subject:	RE: Questioned costs
Sent:	September 8, 2012 12:30 PM
Received:	September 8, 2012 12:30 PM

Do you want premium pay for your time today?

Sent from my Windows Phone

From:

Lee, Timothy

Sent:

9/8/2012 11:21 AM

To:

Parker, Richard

Subject:

Questioned costs

Hi Old Salt,

Here is a question that came to me at the Greenmarket (or at least what passes for a Greenmarket in the South): what is the definition of â€œquestioned costsâ€ under the Inspector General Act? [redacted] (b) (5)

Just a thought. Getting a letter out over the next couple of days is eminently doable. [redacted] (b) (5)

Tim

Timothy Lee

Senior Policy Advisor, FHFA-OIG

202-730-2821

RE: LIBOR and the GSEs

Item ID: 31794
From: [redacted] (b) (6)
To: Lee, Timothy <Timothy.Lee@fhfaoig.gov>, [redacted] (b) (6)
Subject: RE: LIBOR and the GSEs
Sent: September 10, 2012 10:38 AM
Received: September 10, 2012 10:38 AM

Tim, This is very informative. But I definitely think we should at least have a conference call to follow up on this e-mail. Today doesnâ€™t work for us, but tomorrow would be better (I think at least two of us can make it). Iâ€™m unavailable from 3:00 until 4:15 but should otherwise be available. Would you like to suggest a time? From: Lee, Timothy [mailto:Timothy.Lee@fhfaoig.gov] Sent: Thursday, September 06, 2012 4:41 PM To: [redacted] (b) (6) Subject: FW: LIBOR and the GSEs Hi [redacted] (b) (6), FYI. This basically recaps todayâ€™s conversation with the FHFA folks. [redacted] (b) (5) As the note says, I expect to line up a call and make introductions early next week to move matters along. Tim From: Lee, Timothy Sent: Thursday, September 06, 2012 4:34 PM To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov); stephen.cross@fhfa.gov ; fred.graham@fhfa.gov ; Sciacca, Christie (Christie.Sciacca@fhfa.gov) Subject: LIBOR and the GSEs Hi Jon, Steve, Fred, Christie and Nina, Following up from our meeting, please find several files attached as additional background. Â· The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprisesâ€™ net â€œreceive floatingâ€ interest rate swaps positions, relative to the â€œfairâ€ amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge Christieâ€™s point that LIBOR suppression even before conservatorship may well have added to the losses ultimately made whole under the PSPAs. [redacted] (b) (5) (b) (5) The Baltimore LIBOR complaint is also attached; it defines â€œClassâ€ on page 5, paragraph 23. [redacted] (b) (5) . [redacted] (b) (5). They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821 us know you received this email in error.

RE: LIBOR and the GSEs

Item ID: 31797
From: Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To: [redacted]
Subject: RE: LIBOR and the GSEs
Sent: September 10, 2012 11:03 AM
Received: September 10, 2012 11:03 AM

Hi [redacted], A call is definitely in the works. Do you mean with FHFA, or just OIG and DOJ? Tim From: [redacted] Sent: Monday, September 10, 2012 10:38 AM To: Lee, Timothy; [redacted] Subject: RE: LIBOR and the GSEs Tim, This is very informative. But I definitely think we should at least have a conference call to follow up on this e-mail. Today doesn't work for us, but tomorrow would be better (I think at least two of us can make it). I'm unavailable from 3:00 until 4:15 but should otherwise be available. Would you like to suggest a time? From: Lee, Timothy [mailto:Timothy.Lee@fhfaoig.gov] Sent: Thursday, September 06, 2012 4:41 PM To: [redacted] Subject: FW: LIBOR and the GSEs Hi [redacted], FYI. This basically recaps today's conversation with the FHFA folks. [redacted] As the note says, I expect to line up a call and make introductions early next week to move matters along. Tim From: Lee, Timothy Sent: Thursday, September 06, 2012 4:34 PM To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov); stephen.cross@fhfa.gov ; fred.graham@fhfa.gov ; Sciacca, Christie (Christie.Sciacca@fhfa.gov) Subject: LIBOR and the GSEs Hi Jon, Steve, Fred, Christie and Nina, Following up from our meeting, please find several files attached as additional background. · The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprises' net "receive floating" interest rate swaps positions, relative to the "fair" amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge Christie's point that LIBOR suppression even before conservatorship may well have added to the losses ultimately made whole under the PSPAs. [redacted]. [redacted] The Baltimore LIBOR complaint is also attached; it defines "Class" on page 5, paragraph 23 [redacted]. [redacted] They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821 Confidentiality Notice: The information in this email and any attachments may be confidential or privileged under applicable law, or otherwise protected from disclosure to anyone other than the intended recipient(s). Any use, distribution, or copying of this email, including any of its contents or attachments by any person other than the intended recipient, or for any purpose other than its intended use, is strictly prohibited. If you believe you received this email in error, please permanently delete it and any attachments, and do not save, copy, disclose, or rely on any part of the information. Please call the OIG at 202-730-4949 if you have any questions or to let us know you received this email in error.

RE: LIBOR and the GSEs

Item ID: 31798
From: [redacted] (b) (6)
To: Lee, Timothy <Timothy.Lee@fhfaoig.gov>, [redacted] (b) (6)
Subject: RE: LIBOR and the GSEs
Sent: September 10, 2012 11:32 AM
Received: September 10, 2012 11:32 AM

Itâ€™s kind of up to you, Tim, as to who from FHFA and/or OIG should be involved, but we would love to set something up for tomorrow morning (that would be better than the afternoon), and if that means it would have to be with you alone or with you and only one or two colleagues, that would definitely be acceptable. From: Lee, Timothy [mailto:Timothy.Lee@fhfaoig.gov] Sent: Monday, September 10, 2012 11:03 AM To: [redacted] (b) (6) Subject: RE: LIBOR and the GSEs Hi [redacted] (b) (6), A call is definitely in the works. Do you mean with FHFA, or just OIG and DOJ? Tim From [redacted] (b) (6) Sent: Monday, September 10, 2012 10:38 AM To: Lee, Timothy; [redacted] (b) (6) Subject: RE: LIBOR and the GSEs Tim, This is very informative. But I definitely think we should at least have a conference call to follow up on this e-mail. Today doesnâ€™t work for us, but tomorrow would be better (I think at least two of us can make it). Iâ€™m unavailable from 3:00 until 4:15 but should otherwise be available. Would you like to suggest a time? From: Lee, Timothy [mailto:Timothy.Lee@fhfaoig.gov] Sent: Thursday, September 06, 2012 4:41 PM To: [redacted] (b) (6) Subject: FW: LIBOR and the GSEs Hi [redacted] (b) (6), FYI. This basically recaps todayâ€™s conversation with the FHFA folks. [redacted] (b) (5) As the note says, I expect to line up a call and make introductions early next week to move matters along. Tim From: Lee, Timothy Sent: Thursday, September 06, 2012 4:34 PM To: 'nina.nichols@fhfa.gov'; Greenlee, Jon (Jon.Greenlee@fhfa.gov); stephen.cross@fhfa.gov ; fred.graham@fhfa.gov ; Sciacca, Christie (Christie.Sciacca@fhfa.gov) Subject: LIBOR and the GSEs Hi Jon, Steve, Fred, Christie and Nina, Following up from our meeting, please find several files attached as additional background. Â· The Excel file incorporates the sheet that was handed out. This is a simple cumulative graph of the cash flow shortfall to the Enterprisesâ€™ net â€œreceive floatingâ€ interest rate swaps positions, relative to the â€œfairâ€ amount that would have resulted, assuming LIBOR was suppressed to certain extents. The positions are drawn straight from the published 10Ks and 10Qs. To be conservative, the analysis starts from 4Q08 (essentially the onset of conservatorship), though I certainly acknowledge Christieâ€™s point that LIBOR suppression even before conservatorship may well have added to the losses ultimately made whole under the PSPAs. [redacted] (b) (5) The Baltimore LIBOR complaint is also attached; it defines â€œClassâ€ on page 5, paragraph 23. [redacted] (b) (5) They would appreciate the opportunity to touch base early next week, so please let me know when your team is free for half an hour. I will be pleased to make the introduction over the phone. Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821 Confidentiality Notice: The information in this email and any attachments may be confidential or privileged under applicable law, or otherwise protected from disclosure to anyone other than the intended recipient(s). Any use, distribution, or copying of this email, including any of its contents or attachments by any person other than the intended recipient, or for any purpose other than its intended use, is strictly prohibited. If you believe you received this email in error, please permanently delete it and any attachments, and do not save, copy, disclose, or rely on any part of the information. Please call the OIG at 202-730-4949 if you have any questions or to let us know you received this email in error.

LIBOR

Item ID:	31799
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Greenlee, Jon (Jon.Greenlee@fhfa.gov) <Jon.Greenlee@fhfa.gov>, fred.graham@fhfa.gov
Cc:	Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Subject:	LIBOR
Sent:	September 10, 2012 11:35 AM
Received:	September 10, 2012 11:35 AM

Hi Jon and Fred, Following up from last week’s conversation, the DOJ folks are available for introductions over the phone tomorrow morning. Half an hour with a small handful of people would likely be all we need. If that suits you, please suggest a time slot and I will line it up from their end. Thanks, Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: LIBOR

Item ID:	31801
From:	Graham, Fred C. <Fred.Graham@fhfa.gov>
To:	Timothy Lee <Timothy.Lee@fhfaoig.gov>, Greenlee, Jon <Jon.Greenlee@fhfa.gov>
Cc:	Richard Parker <Richard.Parker@fhfaoig.gov>
Subject:	RE: LIBOR
Sent:	September 10, 2012 11:39 AM
Received:	September 10, 2012 11:39 AM

Currently, I am available anytime tomorrow morning. Fred Acting Deputy Director, Division of Supervision Policy and Support Associate Director, Office of Risk Analysis Division of Supervision Policy and Support Federal Housing Finance Agency [redacted] (b) (6) From: Timothy Lee Sent: Monday, September 10, 2012 11:36 AM To: Greenlee, Jon; Graham, Fred C. Cc: Richard Parker Subject: LIBOR Hi Jon and Fred, Following up from last week's conversation, the DOJ folks are available for introductions over the phone tomorrow morning. Half an hour with a small handful of people would likely be all we need. If that suits you, please suggest a time slot and I will line it up from their end. Thanks, Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: LIBOR

Item ID:	31802
From:	Greenlee, Jon <Jon.Greenlee@fhfa.gov>
To:	Greenlee, Jon <Jon.Greenlee@fhfa.gov>, Graham, Fred C. <Fred.Graham@fhfa.gov>, Timothy Lee <Timothy.Lee@fhfaoig.gov>
Sender:	Williams, Diane <Diane.Williams@fhfa.gov>
Cc:	Richard Parker <Richard.Parker@fhfaoig.gov>
Subject:	RE: LIBOR
Sent:	September 10, 2012 11:41 AM
Received:	September 10, 2012 11:42 AM

Jon Greenlee will be available tomorrow at 10:30 a.m. (30 minutes) From: Graham, Fred C. Sent: Monday, September 10, 2012 11:40 AM To: Timothy Lee; Greenlee, Jon Cc: Richard Parker Subject: RE: LIBOR Currently, I am available anytime tomorrow morning. Fred Acting Deputy Director, Division of Supervision Policy and Support Associate Director, Office of Risk Analysis Division of Supervision Policy and Support Federal Housing Finance Agency (b) (6) [redacted] From: Timothy Lee Sent: Monday, September 10, 2012 11:36 AM To: Greenlee, Jon; Graham, Fred C. Cc: Richard Parker Subject: LIBOR Hi Jon and Fred, Following up from last week's conversation, the DOJ folks are available for introductions over the phone tomorrow morning. Half an hour with a small handful of people would likely be all we need. If that suits you, please suggest a time slot and I will line it up from their end. Thanks, Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821 Confidentiality Notice: The information in this email and any attachments may be confidential or privileged under applicable law, or otherwise protected from disclosure to anyone other than the intended recipient(s). Any use, distribution, or copying of this email, including any of its contents or attachments by any person other than the intended recipient, or for any purpose other than its intended use, is strictly prohibited. If you believe you received this email in error, please permanently delete it and any attachments, and do not save, copy, disclose, or rely on any part of the information. Please call the OIG at 202-730-4949 if you have any questions or to let us know you received this email in error.

RE: LIBOR

Item ID:	31803
From:	Lee, Timothy </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d9770d766b6642c4ac0f9f116d0b180d-Timothy Lee>
To:	Greenlee, Jon <Jon.Greenlee@fhfa.gov>, Graham, Fred C. <Fred.Graham@fhfa.gov>
Cc:	Parker, Richard </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=35b52473fd4b4574add82079a96054be-Richard Par>
Subject:	RE: LIBOR
Sent:	September 10, 2012 11:43 AM
Received:	September 10, 2012 11:43 AM

I will send around an invite for a phone call with DOJ at 1030. Speak now or forever hold your peace. From: Williams, Diane [mailto:Diane.Williams@fhfa.gov] On Behalf Of Greenlee, Jon Sent: Monday, September 10, 2012 11:42 AM To: Graham, Fred C.; Lee, Timothy; Greenlee, Jon Cc: Parker, Richard Subject: RE: LIBOR Jon Greenlee will be available tomorrow at 10:30 a.m. (30 minutes) From: Graham, Fred C. Sent: Monday, September 10, 2012 11:40 AM To: Timothy Lee; Greenlee, Jon Cc: Richard Parker Subject: RE: LIBOR Currently, I am available anytime tomorrow morning. Fred Acting Deputy Director, Division of Supervision Policy and Support Associate Director, Office of Risk Analysis Division of Supervision Policy and Support Federal Housing Finance Agency (b) (6) From: Timothy Lee Sent: Monday, September 10, 2012 11:36 AM To: Greenlee, Jon; Graham, Fred C. Cc: Richard Parker Subject: LIBOR Hi Jon and Fred, Following up from last week's conversation, the DOJ folks are available for introductions over the phone tomorrow morning. Half an hour with a small handful of people would likely be all we need. If that suits you, please suggest a time slot and I will line it up from their end. Thanks, Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

RE: LIBOR

Item ID:	31804
From:	Parker, Richard [redacted]
To:	Lee, Timothy <Timothy.Lee@fhfaoig.gov>, Greenlee, Jon <Jon.Greenlee@fhfa.gov>, Graham, Fred C. <Fred.Graham@fhfa.gov>
Subject:	RE: LIBOR
Sent:	September 10, 2012 11:46 AM
Received:	September 10, 2012 11:46 AM

Good to hook. - r From: Lee, Timothy Sent: Monday, September 10, 2012 11:44 AM To: Greenlee, Jon; Graham, Fred C. Cc: Parker, Richard Subject: RE: LIBOR I will send around an invite for a phone call with DOJ at 1030. Speak now or forever hold your peace. From: Williams, Diane [mailto:Diane.Williams@fhfa.gov] On Behalf Of Greenlee, Jon Sent: Monday, September 10, 2012 11:42 AM To: Graham, Fred C.; Lee, Timothy; Greenlee, Jon Cc: Parker, Richard Subject: RE: LIBOR Jon Greenlee will be available tomorrow at 10:30 a.m. (30 minutes) From: Graham, Fred C. Sent: Monday, September 10, 2012 11:40 AM To: Timothy Lee; Greenlee, Jon Cc: Richard Parker Subject: RE: LIBOR Currently, I am available anytime tomorrow morning. Fred Acting Deputy Director, Division of Supervision Policy and Support Associate Director, Office of Risk Analysis Division of Supervision Policy and Support Federal Housing Finance Agency [redacted] From: Timothy Lee Sent: Monday, September 10, 2012 11:36 AM To: Greenlee, Jon; Graham, Fred C. Cc: Richard Parker Subject: LIBOR Hi Jon and Fred, Following up from last week's conversation, the DOJ folks are available for introductions over the phone tomorrow morning. Half an hour with a small handful of people would likely be all we need. If that suits you, please suggest a time slot and I will line it up from their end. Thanks, Tim ----- Timothy Lee Senior Policy Advisor, FHFA-OIG 202-730-2821

LIBOR-related GSE loss data

Item ID:	31805
Sent:	September 10, 2012 11:47 AM
Received:	September 10, 2012 11:47 AM
Type:	Calendar Entry

Hi all,
This is to make introductions between FHFA and DOJ concerning the latter's LIBOR inquiry and its request for information on how the GSEs may have been affected during conservatorship. DOJ, could you please provide a phone number we could dial from our conference room?
Thanks,
Tim

Accepted: LIBOR-related GSE loss data

Item ID:	31806
Sent:	September 10, 2012 11:47 AM
Received:	September 10, 2012 11:47 AM
Type:	Calendar Entry

Your request was accepted. Sent by Microsoft Exchange Server 2010

Accepted: LIBOR-related GSE loss data

Item ID:	31807
Sent:	September 10, 2012 11:47 AM
Received:	September 10, 2012 11:48 AM
Type:	Calendar Entry

Tentative: LIBOR-related GSE loss data

Item ID:	31808
Sent:	September 10, 2012 11:50 AM
Received:	September 10, 2012 11:50 AM
Type:	Calendar Entry