

The Libor Swindle: Systematic Financial Rigging of the Benchmark Global Interest Rate

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The latest sweetheart settlement with a major international bank, in this case involving criminal activities that financial regulators describe as “epic,” has once again lifted the lid on the cesspool of corruption otherwise known as the world financial system.

UBS, Switzerland’s largest bank, admitted this week to systematically rigging the London Interbank Offered Rate (Libor), the benchmark global interest rate to which hundreds of trillions of dollars of financial contracts are tied. It did so to increase its profits and conceal its financial problems.

UBS’s actions defrauded hundreds of millions of people who pay interest on mortgages, credit cards, student loans and car loans, as well as institutional investors such as pension funds and state and local governments, and countless millions of retirees who rely for income on fixed investments. The term grand larceny does not begin to describe the scale of this plunder.

UBS has become, following the settlement with Barclays last June, the second bank to admit to being part of an international Libor-rigging operation and pay a modest fine in exchange for being let off without any serious repercussions. In both cases, no senior officials were charged and the banks themselves did not have to plead guilty to any crime.

More than a dozen other banks and brokerage houses in the US, Europe and Asia are under investigation for rigging Libor and its euro and yen counterparts—Euribor and Yen Libor. These include JPMorgan Chase, Citigroup and Bank of America.

The rigging of Libor is only one in an unending series of scandals involving the world’s biggest banks, including various and sundry accounting frauds, insider trading, the forging of mortgage documents, and the fraudulent issuance of mortgage-backed securities that triggered the financial crash of 2008.

These are the very institutions that have been bailed out to the tune of trillions in public funds, and continue to be subsidized with virtually free credit, compliments of the world’s central banks. They are in the forefront of demanding that the resulting bankrupting of national governments be paid for through the destruction of social programs and the impoverishment of the working class.

Only last week, British-based HSBC admitted to laundering hundreds of billions of dollars for Mexican drug lords. Once again, no criminal charges were lodged, in this case for activities that contributed to the deaths of tens of thousands of people in the Mexican drug war as well as the flooding of working-class neighborhoods in the US and other countries with

narcotics.

In the UBS Libor-rigging case, the US Justice Department deliberately chose not to pursue criminal charges against UBS itself. Instead, it extracted a guilty plea on one relatively minor count of wire fraud from the bank's Japanese unit. As the *Wall Street Journal* reported, "Justice Department officials said they decided not to charge the Zurich-based company, fearing such a move could endanger its stability."

This is an admission that, no matter what crimes the big banks carry out, they are in practice immune from prosecution. The financial mafia, which engages in parasitic, socially destructive and illegal activities every day, is above the law.

Increasingly, society is defined by the aristocratic principle: the laws that apply to mere mortals do not apply to the financial nobles. America—as for that matter Europe, Japan and the other advanced economies—is a democracy in name only. The Oxford English Dictionary defines "plutocracy" as "rule by the wealthy." Can anyone seriously dispute that this definition applies to the United States?

In announcing the settlement with UBS, Lanny Breuer, the head of the Justice Department's criminal division, sought to portray the settlement as a stinging rebuke to the banks. "We cannot, and we will not, tolerate misconduct on Wall Street," he declared.

What a farce! Not only has the Libor swindle exposed the criminality of the banks, it has laid bare the nexus of corruption and complicity involving governments and financial regulators the world over.

It is sufficient to cite a few examples of the incestuous relationship between the banks and the regulators who supposedly police them:

- Mark Branson, in charge of bank supervision at the Swiss Financial Market Supervisory Authority, recused himself from the UBS investigation. Why? Because Mr. Branson headed UBS's Japanese unit during the very years it carried out the Libor-rigging for which it has now pled guilty.
- Robert Khuzami, director of the Division of Enforcement of the US Securities and Exchange Commission (SEC), has recused himself from a multibillion-dollar accounting fraud investigation by the SEC into Deutsche Bank. Why? Because before taking his SEC post, Khuzami was Deutsche Bank's counsel for the Americas.
- Stephen Cutler, who, in his capacity as general counsel, is presently leading the defense of JPMorgan Chase in connection with a probe of billions in unexplained and concealed speculative losses, is a former head of enforcement at the SEC.
- Timothy Geithner, as president of the New York Federal Reserve Bank, knew about the rigging of Libor at least as early as 2007, according to documents released in recent months, yet did nothing to stop it. Obama appointed Geithner as his treasury secretary, a post he continues to hold.
- Bank of England Governor Mervyn King and his deputy, Paul Tucker, were likewise alerted to the Libor-rigging operation. They also looked the other way and did nothing. Tucker lied to a parliamentary committee last July when he said that until just weeks before, "we were

not aware of allegations of dishonesty” in setting the Libor rate. Tucker continues to serve as deputy governor of the Bank of England.

The bank regulatory agencies, loaded with former bank executives, facilitate the criminal activities of the banks rather than stopping or preventing them.

The global financial aristocracy can defraud, steal and plunder with impunity, knowing it will be protected by a thoroughly bribed political system that it dominates. The day-to-day functioning of the capitalist financial system has assumed the form of a criminal conspiracy against the people.

This is not a system that can be reformed. Its rampant criminality is not the result of “bad apples.” Illegality and corruption are intrinsic to the system itself.

The multimillionaire financiers, rather than being feted as economic titans, deserve to be frog-marched to prison. The only solution for this state of affairs is a revolutionary one. The working class must mobilize its immense power to expropriate the banks and place them under public ownership and popular democratic control.

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