



**BANK OF ENGLAND**

**Mark Carney**  
Governor

Lord Blackwell  
Chairman  
Lloyds Banking Group PLC  
The Mound  
Edinburgh  
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15 July 2014

**Special Liquidity Scheme fees**

The Financial Conduct Authority has made the Bank aware of enforcement action which it is taking against Lloyds Bank plc and Bank of Scotland plc (the Firms) in relation to manipulation of LIBOR and of submissions to the BBA GBP Repo Rate (the Repo Rate) during the period from January 2009 to June 2009. In respect of the manipulation of the Repo Rate, we understand that the motive was to reduce fees payable to the Bank under the Special Liquidity Scheme (SLS), for which the level of fees was dependent on the Repo Rate.

Such manipulation is highly reprehensible, clearly unlawful and may amount to criminal conduct on the part of the individuals involved. It reduced not only the amount of fees payable by the Firms but also the fees payable by other firms using the SLS. The Bank's calculations show that the total reduction in fees received by the Bank may have been as high as £7.76 million.

Please confirm that the Firms accept liability and will compensate the Bank accordingly. The Bank's Chief Legal Adviser will separately contact your General Counsel.

In view of the seriousness of this matter, the PRA will consider whether further action should be taken in relation to the Firms or individuals at the Firms.

Yours sincerely