



BANK OF ENGLAND

News release

Press Office

Threadneedle Street

London EC2R 8AH

T 020 7601 4411

F 020 7601 5460

press@bankofengland.co.uk

www.bankofengland.co.uk

28 July 2014

Bank of England statement on FCA enforcement action against Lloyds Bank PLC and Bank of Scotland PLC in relation to manipulation of submissions to the BBA GBP Repo Rate

In light of today's publication by the Financial Conduct Authority (FCA) of a Final Notice in relation to enforcement action against Lloyds Bank and Bank of Scotland, the Bank of England issues the following statement:

Lloyds Banking Group has paid the Bank of England £7.76 million in compensation for the reduction in the amount of Special Liquidity Scheme (SLS) fees received by the Bank as a result of manipulation by Lloyds Bank and Bank of Scotland of submissions to the BBA GBP Repo Rate. The Bank believes that this payment fully compensates it for all losses which it may have suffered.

The Bank put the SLS in place to help banks get through the worst of the financial crisis. The fact that Lloyds and Bank of Scotland, the largest beneficiaries of this assistance, manipulated their three month GBP Repo Rate submissions in order to reduce fees is highly reprehensible and clearly unlawful. Not only were fees payable by Lloyds and Bank of Scotland reduced as a result of this conduct, so too were fees payable by other firms using the SLS. The compensation payment takes this fully into account.

On 14 June 2014, the Chancellor of the Exchequer announced the launch of the Fair and Effective Markets Review. Led by the Bank, in conjunction with the FCA and HM Treasury, this Review seeks to restore public confidence in wholesale financial markets and ensure the highest standards of conduct by its participants.

This incident represents yet another demonstration of the pressing need for such a Review.

Notes for Editors

1. Upon becoming aware of the details of the FCA enforcement action against Lloyds Bank and Bank of Scotland, the Bank of England took immediate action to calculate the fees it was owed and ensure that Lloyds and Bank of Scotland accepted liability for their conduct in relation to SLS fees. A letter written by the Governor to the Chairman of LBG, and the latter's response, are now available on the Bank of England's website at:

 [Governor's letter](#) (26KB)

 [Response to the Governor's letter](#) (99KB)

2. No Bank of England scheme since the Special Liquidity Scheme has charged fees relating to panel-based benchmarks, of which the BBA GBP Repo Rate was one example.

3. More information on the Fair and Effective Markets Review is available on the Bank's website at:

<http://www.bankofengland.co.uk/markets/Pages/fmreview.aspx>