

Barclays-Libor Scandal Harvard Case Solution & Analysis

TheCaseSolutons.com

Barclays

- One of the largest global financial provider
- 35% of total revenue from investment bank "BarCap"
-

LIBOR

- Reflects the hypothetical rate at which a large bank could borrow from another bank
- Used to price financial instruments with a notational value of approximately \$350 trillion
- A crucial indicator of creditworthiness and liquidity of the banks
- Managed and calculated by the BBA (British Bankers Association), a self-regulated trade union with over 200 member banks

Management

K



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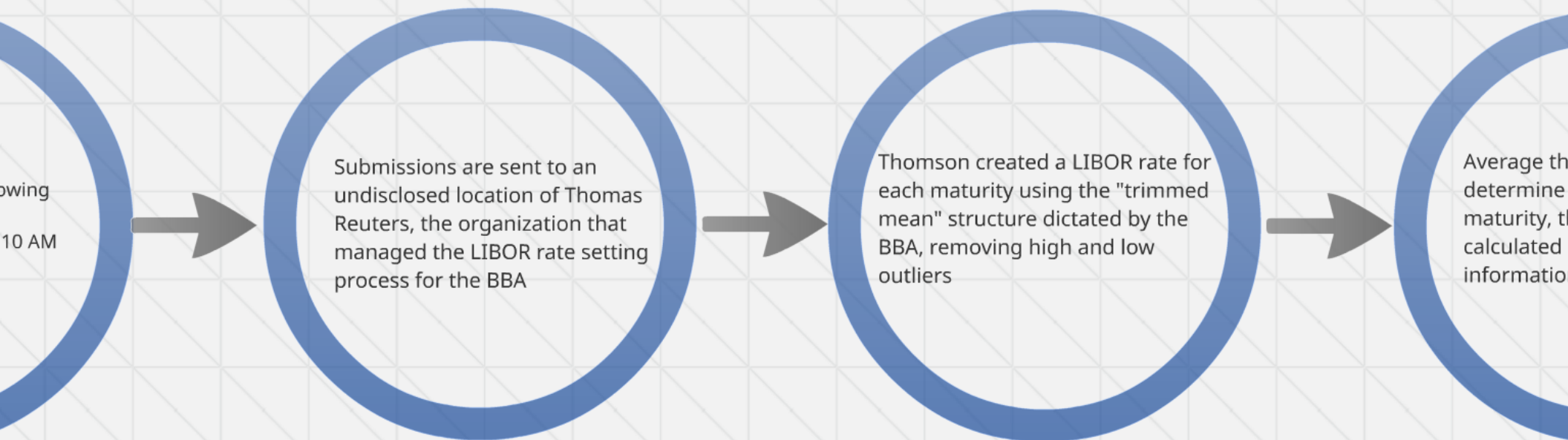
Each individual panel bank submits an inter-bank borrowing rate into an electronic spreadsheet from 11:00-11:10 AM London time

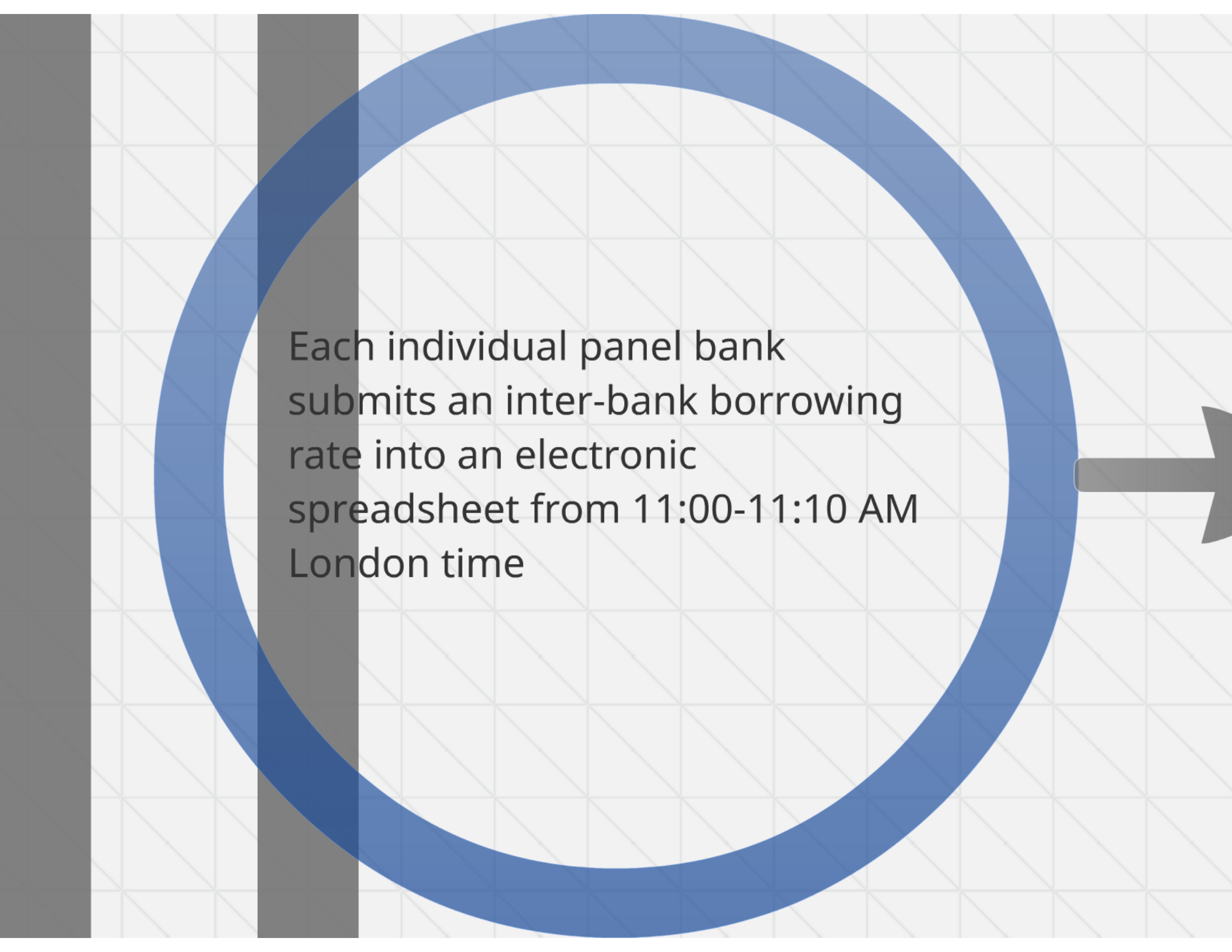
Submissions are sent to an undisclosed location of Thomas Reuters, the organization that managed the LIBOR rate setting process for the BBA

Thomson created a LIBOR rate for each maturity using the "trimmed mean" structure dictated by the BBA, removing high and low outliers

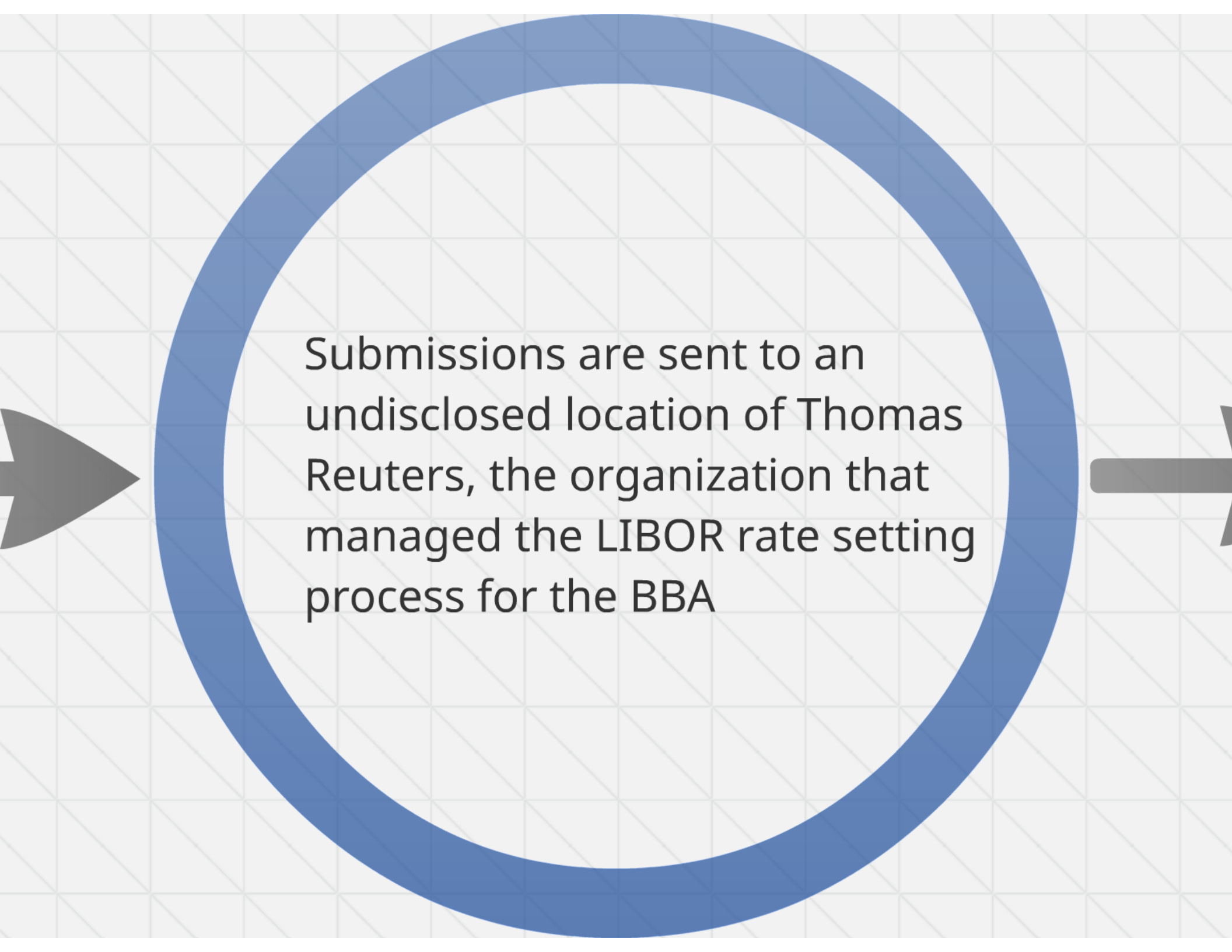
Average the remaining rates to determine LIBOR in a given maturity, then distribute the calculated rates to financial information services

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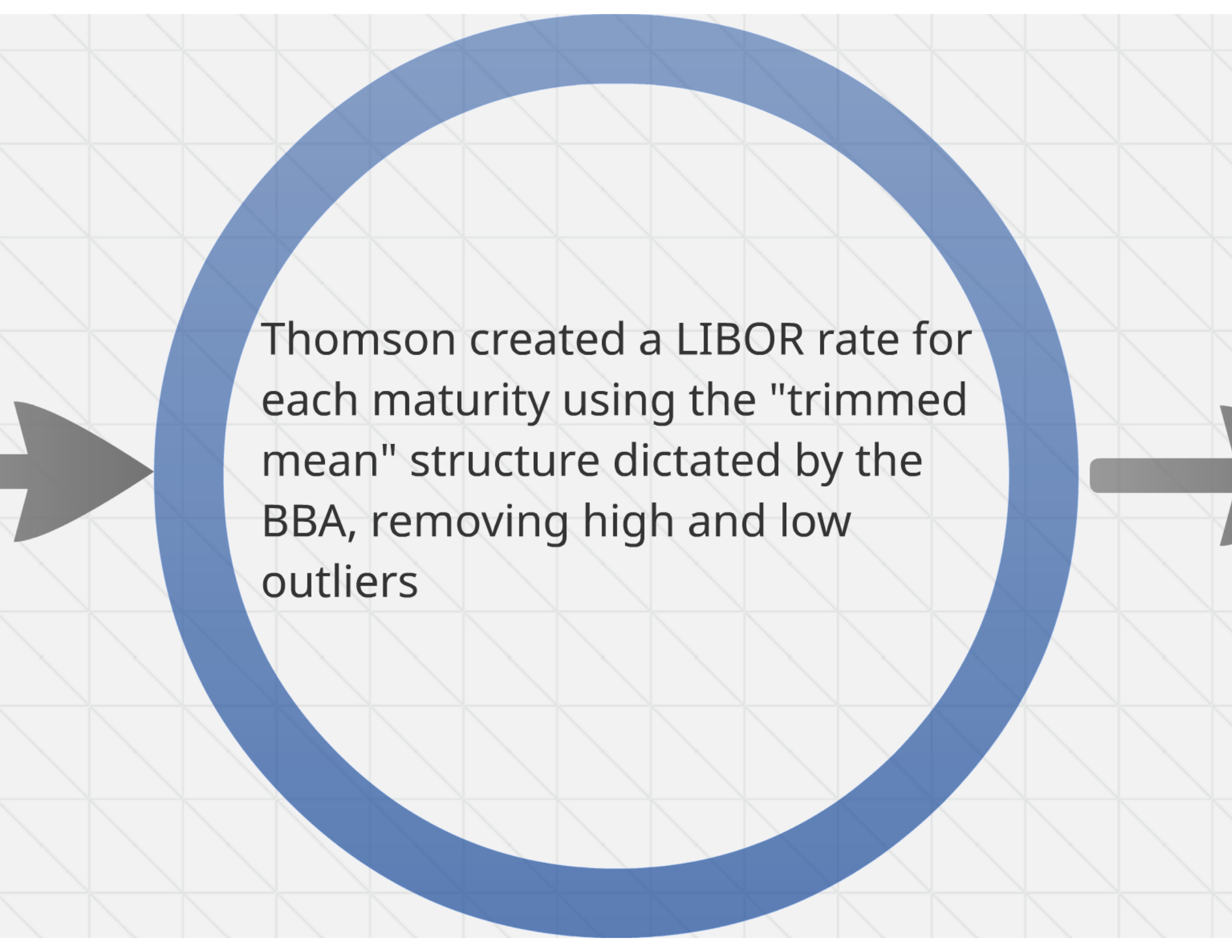


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The diagram features a large blue circle in the center. Inside the circle, the text 'Submissions are sent to an undisclosed location of Thomas Reuters, the organization that managed the LIBOR rate setting process for the BBA' is written in a dark gray, sans-serif font. To the left of the circle, a dark gray arrow points towards it. To the right of the circle, a dark gray arrow points away from it. The background is a light gray grid.

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