

CPM Files Complaint for Libor Interest Rate Manipulation for Mendocino County

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A lawsuit was filed by Mendocino County for financial damages allegedly caused by the manipulation of the interest rates tied to its investments. Defendants are more than twenty financial institutions that are current and former members of the British Bankers Association that set the benchmark interest rate known as the London Interbank Offered Rate, or “LIBOR”. The lawsuit was filed in Federal Court in the Northern District of California (San Francisco) by Cotchett, Pitre & McCarthy, LLP. CP&M represents numerous cities, counties, and public entities in the LIBOR Litigation.

LIBOR is a Global Benchmark Interest Rate

“LIBOR” refers generically to the interest rate at which these LIBOR member banks are able to borrow funds from other member banks in the London interbank market. In other words, LIBOR represents the rate at which the world’s most preferred borrowers are able to borrow money. For the rest of the world, LIBOR is the world’s most widely used base or benchmark rate used for setting short-term interest rates on a wide range of financial instruments and investments.

Global Manipulation of LIBOR

LIBOR rates are set daily after each LIBOR member bank reports to the BBA the interest rate it might pay to borrow funds from other member banks. The BBA issues a daily LIBOR rate derived from a filtered average of these reported rates. An alternative benchmark rate includes U.S. Treasury rates. The complaint alleges that the LIBOR member banks violated federal and state antitrust laws by engaging in a conspiracy to manipulate LIBOR interest rates upon which a multitude of municipal financial instruments are set. Because the rate reported by a LIBOR member bank is also indicative of the bank’s credit worthiness (i.e., the lower the reported borrowing rate, the higher the perceived credit worthiness), LIBOR member banks had an incentive to coordinate their

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Practice Areas

Securities / Financial Fraud

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respective reported borrowing rates with each other. As a result of the member banks' conduct, the complaint alleges that public entities paid artificially high rates and/or received artificially depressed rates of returns on their financial instruments or investments, and also incurred unreasonable and excessive fees and costs for these transactions.

The Defendant LIBOR member banks include Bank of America, Barclays, Rabobank, Credit Suisse, UBS, JP Morgan Chase, Citibank, and Royal Bank of Canada. It is understood that LIBOR was manipulated by being inflated or suppressed between 2005 and 2010, but the rampant suppression of LIBOR occurred in 2008.