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1. RBS and Lloyds also face Libor inquiry

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Byline: Philip Aldrick

Body

ROYAL Bank of Scotland and Lloyds Banking Group, the UK's two taxpayer-backed banks, are at risk of significant fines as part of the investigation into attempted rigging of the inter-bank lending market that has now cost Barclays £290m.

The three British high street lenders were among at least a dozen financial institutions across the world caught up in a global inquiry into Libor manipulation.

HSBC is also believed to be under investigation, as are Citigroup, JP Morgan, Deutsche Bank, UBS and the interdealer broker ICAP founded by the Tory donor Michael Spencer.

The case is being conducted jointly by regulators across the world, from Japan to Switzerland.

In the US, the Commodity Futures Trading Commission (CFTC) joined forces with the Securities and Exchange Commission and the Federal Bureau of Investigation.

They are working with the UK's Financial Services Authority (FSA) and the European Commission, as well as the Japanese, Swiss and Canadian competition authorities. Much of the evidence for the case appears to be coming from UBS, which has secured partial immunity in exchange for co-operating.

Barclays was yesterday hit with £290m in fines by two US regulators and the FSA, but could still be hit with further penalties from other jurisdictions.

A Canadian official yesterday said its investigation remains ongoing.

Earlier this year, Lloyds, which is 41pc state owned, suspended two derivatives traders as part of the investigation.

RBS, which taxpayer's have an 82pc stake in, was also reported to have dismissed staff at the same time as part of a purge by a number of banks under investigation.

The Libor investigation began with the CFTC in late 2008, on the suspicion that banks were "low-balling" their cost of borrowing during the financial crisis to understate the market's opinion of their riskiness.

At Barclays and elsewhere, the inquiry uncovered evidence of attempted manipulation of Libor by traders even

before the crisis.

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