Document (1)

1. Barclays to pay £290m penalties as Bob Diamond forgoes bonus

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Body

The banking industry was engulfed in a fresh scandal today after Barclays paid £290 million to settle claims that it used underhand tactics to try to rig financial markets.

The penalties from UK and US regulators, including a record £59.5 million fine from the Financial Services Authority (FSA), followed allegations it manipulated Libor and Euribor interbank lending, which govern the rates at which banks are prepared to lend to each other in the wholesale money markets.

In the depths of the financial crisis, Barclays gave false information about the interest rates it had to pay to borrow money in an effort to paint a false picture of its health to markets.

Chief executive Bob Diamond, who was in charge of Barclays Capital at the time the breaches occurred between 2005 and 2009, apologised and said he and three other key executives would waive their bonuses for this year.

A trail of emails and messages disclosed by the FSA showed how traders broke so-called Chinese Walls, which are designed to avoid conflicts of interest within financial firms, as they requested Barclays make changes to the Libor rate in a bid to boost their profits.

In one request for a change to the Libor rate, a trader said: "Coffees will be coming your way either way, just to say thank you for your help in the past few weeks". To which the Barclays submitter responded: "Done, for you big boy."

After one submitter of information responded favourably to a trader's request to lower a closely-watched interest rate, the trader came back: "When I retire and write a book about this business your name will be written in golden letters."

The scandal is another blow to the beleaguered banking sector as it battles to restore its tarnished image in the wake of the financial crisis, the scandal of mis-sold PPI and the computer problems at RBS which froze millions out of their accounts.

Barclays is the first major financial institution to settle with regulators following a wide-ranging probe that has spanned North America and Europe.

Mr Diamond said: "I am sorry that some people acted in a manner not consistent with our culture and values.

"The events which gave rise to today's resolutions relate to past actions which fell well short of the standards to which Barclays aspires in the conduct of its business.

"Nothing is more important to me than having a strong culture at Barclays."

MP John Mann, a member of the Treasury Select Committee, called for Mr Diamond and RBS chief executive Stephen Hester to be "de-bonused" by taking away the biggest bonus they received over the last three years from their pay.

He said: "Bank bosses have been happy to justify their huge bonuses, claiming it is needed to reward success.

"As we have a meltdown in RBS consumer services and the equivalent of fraud in fiddling interest rates at Barclays, the abject failure of both of these bankers needs to be recognised in their annual pay."

The fine from the FSA would have been £85 million had Barclays not co-operated.

Barclays also agreed to settle a penalty of 200 million US dollars (£128.2 million) with the Commodity Futures Trading Commission (CFTC) and 160 million US dollars (£102.5 million) to the US Department of Justice (DoJ).

The breaches mainly occurred between 2005 and 2008, a period when John Varley was at the helm of the company and Mr Diamond led Barclays Capital - where the traders worked.

Mr Diamond took a £2.7 million cash bonus last year despite widespread criticism that his pay failed to reflect the struggling performance of the bank.

Overall, his package was worth £17.7 million including a £5.7 million tax payment made on his behalf.

Other key executives to have waived their bonuses were Jerry del Missier and Rich Ricci, who both helped run BarCap, and chief financial officer Chris Lucas.

The FSA said Barclays' breaches of its requirements involved a significant number of employees and occurred over a number of years.

Tracey McDermott, the FSA's acting director of enforcement and financial crime, said: "Barclays' misconduct was serious, widespread and extended over a number of years.

"Making submissions to try to benefit trading positions is wholly unacceptable.

"Barclays' behaviour threatened the integrity of the rates with the risk of serious harm to other market participants."

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