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1. Libor investigation decision due 'within a month'

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Body

The storm around the rate-rigging scandal gathered pace today as fraud investigators said they would decide within a month on whether a criminal prosecution was appropriate.

The update from the Serious Fraud Office came hours after Barclays chairman Marcus Agius resigned and announced an internal review into the bank's "flawed" practices.

A statement from the SFO said "the issues are complex" and added it is "considering whether it is both appropriate and possible to bring criminal prosecutions".

Both announcements came after Barclays was last week fined £290 million by UK and US regulators for manipulating the Libor, the rate at which banks lend to each other.

There have been mounting calls for criminal prosecutions to be brought against those responsible for fixing the Libor for their own personal benefit.

The Chancellor is expected to reveal this afternoon further details on an inquiry into Libor-setting and strengthening criminal sanction powers.

The review is reportedly to be headed by an as-yet-undisclosed independent figure to ensure a speedy response to the issue, resulting in amendments to the Financial Services Bill this summer.

Despite mounting calls for his departure, Barclays chief executive Bob Diamond showed no signs of stepping down, as he pledged to fully implement the findings of an independently-led audit into practices at the banks since the financial crisis.

The Bank of England was also drawn into the affair after it emerged staff mistakenly thought they were instructed by the central bank to lie in their rate submissions.

The Financial Services Authority's report said there had been a misunderstanding arising from a conversation between Bank Deputy Governor Paul Tucker, a favourite for the Governor role, and an unidentified senior Barclays manager on October 29 2008.

Announcing his resignation, Mr Agius, 65, who was chairman for six years, said he was "truly sorry" for the affair, which has "dealt a devastating blow to Barclays' reputation".

He said: "This has been a period of unprecedented stress and turmoil for the banking industry in particular and for the wider world economy in general.

"Last week's events - evidencing as they do unacceptable standards of behaviour within the bank - have dealt a devastating blow to Barclays' reputation," he added.

"As chairman, I am the ultimate guardian of the bank's reputation. Accordingly, the buck stops with me and I must acknowledge responsibility by standing aside."

Mr Agius will remain in post until an "orderly succession is assured", while Barclays non-executive director Sir Michael Rake has been appointed deputy chairman.

He has also resigned from his role as chairman of the British Bankers' Association (BBA), the trade association said.

Labour leader Ed Miliband said the resignation of Mr Agius was not enough, and repeated his call for Mr Diamond to step down.

He said: "I think there needs to be more a more general change of leadership including the chief executive, Bob Diamond."

He added: "I want to see criminal sanctions against those who broke the law."

Mr Agius is due to face MPs on the Treasury Select Committee on Thursday - a hearing that is expected to go ahead irrespective of his decision to quit.

Mr Diamond, who faces the committee on Wednesday, said Mr Agius's decision "deserves all of our respect".

The American banker, who headed up the bank's investment arm Barclays Capital when the rate-rigging occurred, added: "I welcome the board's undertaking of an independent, third-party audit of our business practices.

"I am committed to ensuring that the recommendations from this review are implemented in full, as part of a broader programme to continue to build a culture that all of those with a stake in Barclays can be proud of."

Business Secretary Vince Cable has also backed calls for a criminal investigation into bankers involved in the affair.

The Liberal Democrat Cabinet minister said the public could not understand why the perpetrators of "what looks like a conspiracy" were allowed to "just walk away".

But the potential for prosecutions arising from the scandal has been played down by Treasury sources who point out that there are no criminal sanctions in place for manipulating the inter-bank lending rate, or Libor.

Libor is set on a daily basis by panels of banks and used to help set "swap rates" - the borrowing rate between financial institutions which is ultimately used to price a vast range of products such as corporate loans and fixed-deal mortgages.

Taxpayer-backed RBS has sacked four staff over their alleged role in the Libor-fixing scandal, it emerged yesterday. The bank declined to comment on the matter but sources said the sackings were made at the end of last year.

Barclays' shares were 3% higher, after taking a hammering last week, as investors appeared to take cheer from Mr Agius's decision.

Ian Gordon, analyst at brokers Investec, urged investors to back Mr Diamond, adding: "Bob is going nowhere."

Labour is to table an amendment to the Financial Services Bill in the House of Lords, calling for a full, independent and public inquiry to restore confidence in the proper functioning of the markets.

Asked whether David Cameron would rule out a full inquiry into the banking industry, of the kind demanded by Labour, the PM's spokesman said: "We basically know what needs to be done and we need to get on and take action to bring that change of culture about."

The PM's spokesman suggested that any criminal sanctions introduced for manipulating the Libor rate will not be applied retrospectively.

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