

NEW INSTITUTIONS AND MECHANISMS TO RESOLVE THE SOVEREIGN DEBT CRISIS IN THE EU

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INTRODUCTION

SOVEREIGN DEBT CRISIS IN THE EMU

GREECE, IRELAND, PORTUGAL: THE FIRST PROVISIONAL SOLUTION

CONCEPTS OF A SYSTEMIC, SOLUTION

PERMANENT FACILITIES TO MANAGE EMU AREA SOVEREIGN DEBT

CONCLUSIONS

1) Member of the Scientific Society of Serbia, full member of the Academy of Economic Sciences.

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**Final Report of the National Commission
on the Causes of the Financial and
Economic Crisis in the United States**

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Libor interest rate riggers 'should face prosecution'

[COMMENTS \(844\)](#)

A report into the Libor rate-rigging scandal says the system is broken and suggests its complete overhaul, including criminal prosecutions for those who try to manipulate it.

Its author, regulator Martin Wheatley, told the BBC that bankers guilty of fixing Libor in future could be jailed.

"Society has lost confidence in banks... and we need to restore that."

Libor is used as a benchmark for millions of transactions and determines some loan and mortgage rates.

Mr Wheatley, managing director of the Financial Services Authority, said that society wanted people who committed these sorts of acts to "pay the price, and if that includes jail for the most extreme fraud in the system, then that's what should happen".

Libor - the London Inter-bank Offered Rate - is calculated from banks' estimates of how much it costs them to borrow from other banks, and is then used as a reference rate to determine the interest charged on loans to companies and individuals.

Fined

[His report also said](#) the banking association that supervises Libor, the British Bankers' Association (BBA), had "no further role" in the setting of Libor.



Published on *EurActiv* (<http://www.euractiv.com>)

Source URL: <http://www.euractiv.com/euro-finance/libor-scandal-provokes-regulator-news-514639>

Libor scandal provokes regulatory overhaul

Published: 06 September 2012

Following the recent manipulation of the Libor interest rate index, the European Commission yesterday (5 September) launched a consultation to examine regulating financial indexing benchmarks.

Background

Euribor and Libor are reference rates based on average interest rates charged by banks on their borrowing and lending activities.

Euribor is the benchmark for euro-denominated operations, while Libor is the current reference for financial instruments denominated in sterling and US dollars.

These benchmarks proved an important measurement during the financial crisis by showing oscillations of interbank interest rates, thereby taking the pulse of the economic situation.

Brussels-based interest rate index Euribor and its beleaguered London counterpart Libor are subject to antitrust investigations by the European Commission to examine whether there was collusion amongst member banks in an attempt to rig rates. The results are not expected before the end of the year.

Barclays Bank was fined €373 million in June in separate UK proceedings after admitting that it attempted to manipulate the Libor and Euribor rates between 2005 and 2009.

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RPT-ECB pushes to overhaul Euribor rate setting

Wed, Jul 18 2012

- * Central bank urges rethink of how the benchmark is calculated
- * Actual lending rates could replace use of bank estimates
- * ECB in frame to take on supervision of Euribor

By John O'Donnell and Marc Jones

FRANKFURT/BRUSSELS, July 18 (Reuters) - The European Central Bank is putting pressure on the organisers of Euribor for lack of faith in the benchmark interest rate following a scandal over the manipulation of the Libor standard, sources familiar with the move. The move chimes with Tuesday's warning from U.S. Federal Reserve Chairman Ben Bernanke that the system for determining the offered rate (Libor) is structurally flawed.

Manipulation of Libor, which is used to set prices for trillions of dollars of financial products around the globe, has landed British bank Royal Bank of Scotland a penalty of \$453 million, claimed the scalp of its chief executive and threatens to drag in several other banks.

Now the ECB is calling for a rethink on Euribor, including possibly shifting the basis of the calculation to actual lending rates in the system, which like Libor's uses banks' assessments of what they expect to be charged.

Regulators fear the existing set-up allows too much discretion.

The ECB could also take a role directly monitoring the benchmark.

Ex-Credit Suisse trader arrested in subprime case

Thu, Sep 27 2012

By [Emily Flitter](#) and [David Henry](#)

NEW YORK (Reuters) - A former senior Credit Suisse Group AG (CSGN.VX: [Quote](#), [Profile](#), [Research](#)) trader was arrested in London on Wednesday and faces extradition to the United States on fraud charges involving subprime mortgage bonds worth \$3 billion.

The arrest of Kareem Serageldin, former global head of structure credit trading for Credit Suisse, marks an apparent victory for U.S. prosecutors, who earlier this year won convictions against two of the his former colleagues.

U.S. prosecutors have been waiting for nearly eight months for Serageldin, 39, to return to the country to face charges.

A spokesman for London's Metropolitan Police said extradition proceedings will commence on Thursday.

A spokeswoman for Serageldin's lawyer, Sean Casey of Kobre & Kim in New York, declined to comment.

Prosecutors said Serageldin was the most senior banker charged in a scandal dating back to 2007, in which mortgage-backed securities traders were caught trying to cover up \$540 million in losses on their books.

Two other employees pleaded guilty in U.S. federal court in February to criminal charges of conspiracy to commit wire fraud and falsify books and records, making it the first successful U.S. prosecution of employees of a major bank involved in the subprime meltdown of 2007-08.

In pleading guilty, David Higgs, who cooperated with investigators, admitted in court that he had "manipulated and inflated" values he reported for a battered portfolio of mortgage bonds. He said he acted at the instruction of his former boss to hide losses and meet profit targets. Meeting the targets was essential to the team's bonuses.

U.S. prosecutors charged Serageldin at the same time as the other two traders. Serageldin was charged with the same conspiracy counts, as well as additional charges of falsifying books and records and wire fraud.

He, however, remained in London after the charges were filed.

There are no other arrests expected in the case.

(Reporting By Emily Flitter and David Henry; Additional reporting by Michael Holden in London; Editing by Peter Cooney and David Gregorio)



JPMorgan must pay \$18million in trust mismanagement case

Wed, Oct 10 2012

(Reuters) - JPMorgan Chase & Co (JPM.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) must pay more than \$18 million to a trust in a suit stemming from its improper recommendation of a type of complex security that was unsuitable for the trust and benefited the bank, a U.S. state court judge has ruled.

The bank engaged in misconduct and breached its duties of care to the trust in recommending so-called "variable prepaid forward contracts," wrote Judge Linda Morrissey of the District Court for Tulsa County, Oklahoma, in an opinion late Tuesday. That caused financial harm to the trust beneficiaries.

JP Morgan and the trust entered into numerous variable prepaid forward contracts between 2000 and 2005. A court, in 2007, ordered the transfer of the trust's assets to another bank. The investment contracts between the trust and JP Morgan, by that time, had been settled.

The court, in an unusual move, also ordered JPMorgan to pay punitive damages, to be determined at a later date, along with the trust's legal fees.

Investors who buy variable prepaid forward contracts typically agree to give a certain number of stock shares to the brokerage at a future date but receive a significant percentage of the value of those shares at the time of the agreement. While the arrangements can have tax benefits and help insulate investors from certain losses, they can also involve hefty fees.

The 32-page court decision illustrates the extent to which certain investment fees and conflicts of interest can damage a portfolio. JPMorgan, for example, breached its fiduciary duty to the trust - which required the bank to act in the trust's best interests - by investing proceeds from the contracts in its own investment products. It then charged investment fees for those transactions in addition to corporate trustee fees, Judge Morrissey wrote. That "amounted to double dipping that was inherently unreasonable," she wrote.

Punitive damages against JPMorgan are appropriate in the case because the bank "has been guilty of reckless disregard for the rights of others," the judge wrote.

A JPMorgan spokesman declined to immediately comment.

(Reporting By Suzanne Barlyn; Editing by Alden Bentley)

17 September 2012 Last updated at 22:30 GMT

Peregrine Financial Group boss admits \$100m fraud

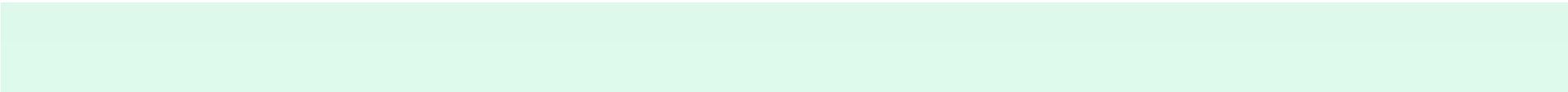
The founder of US futures broker Peregrine Financial Group has pleaded guilty to a fraud involving 24,000 customers in the US state of Iowa.

The embezzlement, totalling over \$100m (£61.5m), began some 20 years ago.

Russell Wasendorf Sr, who is 64, was once regarded as a noble figure who supported a range of institutions from health care to universities.

He now faces at least 24 years in jail. Prosecutors said: "He has gone from being a hero... to a villain."

In court, Wasendorf pleaded guilty to charges including mail fraud, embezzling customer funds and making false statements to two regulatory agencies.



Published on *EurActiv* (<http://www.euractiv.com>)

Source URL: <http://www.euractiv.com/euro-finance/europe-name-shame-tax-havens-news-514736>

Šemeta: Europe could 'name and shame' tax havens

Published: 12 September 2012

EXCLUSIVE: European tax havens could face sanctions including blacklisting when the European Commission issues clampdown measures later this year, Taxation Commissioner Algirdas Šemeta has told EurActiv in an interview.

Background

At their March 2012 summit, EU heads of states asked the European Commission "to rapidly develop concrete ways to improve the fight against tax fraud and tax evasion, including in relation to third countries and to report by June 2012".

The Commission followed up on 27 June with a review of the measures currently in place, to see how they can be improved and intensified.

The aim is to create a stronger, more coordinated approach to tackling tax evasion, aggressive financial and tax jurisdictions, and unfair tax competition.

An initiative to fight tax havens and aggressive tax planning will be published before the end of the year as part of a broader action plan to deal with tax evasion, Šemeta said.

The commissioner published a communication on tax fraud and evasion before the summer, and has already presented a proposal for a quick-reaction mechanism to fight against VAT fraud in connection with the policy.

The action plan will put more flesh on the bones of the proposal, he said.

UK-based banks accused of massive mis-selling in Italy



By Joe Lynam
BBC Newsnight

Several UK-based investment banks have been accused of mis-selling financial products to Italian cities and regions.

Nomura, UBS and Deutsche Bank are among those accused by Italian prosecutors of mis-selling derivatives in deals worth 35bn euros (£28bn).

The banks deny wrongdoing, but refused to comment further because the matter is now before the Italian courts.

BBC Newsnight discovered that London's financial watchdog was made aware of the mis-selling, but failed to act.

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Insight: Fed knew of Libor issue in 2007-08, proposed reforms

Tue, Jul 10 2012

By [Carrick Mollenkamp](#)

(Reuters) - The Federal Reserve Bank of New York may have known as early as August 2007 that the setting of global benchmark interest rates was flawed. Following an inquiry with British banking group Barclays Plc in the spring of 2008, it shared proposals for reform of the system with British authorities.

The role of the Fed is likely to raise questions about whether it and other authorities took enough action to address concerns they had about the way Libor rates were set, or whether their struggle to keep the banking system afloat through the financial crisis meant the issue took a backseat.

A New York Fed spokesperson said in a statement that "in the context of our market monitoring following the onset of the financial crisis in late 2007, involving thousands of calls and emails with market participants over a period of many months, we received occasional anecdotal reports from Barclays of problems with Libor.

"In the spring of 2008, following the failure of Bear Stearns and shortly before the first media report on the subject, we made further inquiry of Barclays as to how Libor submissions were being conducted. We subsequently shared our analysis and suggestions for reform of Libor with the relevant authorities in the UK."

The Fed statement did not provide the precise timing of the communication with the British authorities. Bear Stearns collapsed in early March 2008 and was then acquired by JPMorgan.

Meanwhile, legislators on Capitol Hill have signaled they are interested in learning more about what Fed officials knew with regards to allegations of Libor manipulation.



Geithner pressed British regulators in 2008 on Libor

Fri, Jul 13 2012

By [Timothy Ahmann](#)

WASHINGTON (Reuters) - U.S. Treasury Secretary Timothy Geithner pressed the Bank of England in June 2008 to make changes in the way that Libor, a key interest rate benchmark, was set, according to documents obtained by Reuters.

Geithner, who was the head of the New York Federal Reserve Bank at the time, sent a private email to BoE Governor Mervyn King recommending six ways to enhance the credibility of the London interbank offered rate.

More than a dozen banks are under investigation by authorities in Europe, Japan and the United States over suspected rigging of the global borrowing cost benchmark, which is used in contracts worth trillions of dollars globally.

The June 1, 2008, email, first reported by the Washington Post, included a two-page memo dated May 27 of that year that suggested establishing best practices for calculating Libor, "including procedures designed to prevent accidental or deliberate misreporting."

It recommended the British Bankers' Association require that auditors for banks reporting their borrowing costs for the calculation of Libor attest to the accuracy of their rates.

London-based Barclays (BARC.L: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) is the only bank so far to admit any wrongdoing in giving false information as part of the complex process of setting Libor, in order to influence the pricing of derivatives and also to rebut speculation about the weakness of its balance sheet during the financial crisis.

Insight: As banks deepen commodity deals, Volcker test likely

Tue, Jul 3 2012

By [David Sheppard](#) and [Alexandra Alper](#)

NEW YORK/WASHINGTON (Reuters) - The subtext of JPMorgan's landmark deal to buy crude and sell gasoline for the largest oil refinery on the U.S. East Coast was barely disguised.

In joining private equity firm Carlyle Group to help rescue Sunoco Inc's Philadelphia plant from likely closure, the Wall Street titan cast its multibillion-dollar physical commodity business as an essential client service, financing inventory and trading on behalf of the new owners.

This was about helping conclude a deal that would preserve jobs and avert a potential fuel price spike during the heat of an election year summer -- not another risky trading venture after the more than \$2 billion 'London Whale' loss.

But the deal also highlights a largely overlooked clause in the Volcker rule that threatens to squeeze banks out of physical markets if applied strictly by regulators, one that JPMorgan and rivals like Morgan Stanley have been quietly fighting for months.

While it has long been known the Volcker rule will ban banks' proprietary trading in securities, futures, and other financial tools like swaps, a draft rule released in October cast a net over commercial physical contracts known as 'commodity forwards', which had previously been all but exempt from financial oversight.

The banks say that physical commodity forwards are a world away from the exotic derivatives blamed for exacerbating the financial crisis. A forward contract in commodities exists somewhere in the gray area between a derivative like a swap - which involves the exchange of money but not any physical assets - and the spot market, where short-term cash deals are cut.



Exclusive: Banks in Libor probe consider group settlement-sources

Fri, Jul 20 2012

By [Katharina Bart](#) and [Diane Bartz](#)

ZURICH/WASHINGTON (Reuters) - A group of banks being investigated in an interest-rate rigging scandal are looking to pursue a group settlement with regulators rather than face a Barclays-style backlash by going it alone, people familiar with the banks' thinking said.

Such discussions are preliminary, and it is unclear if regulators will enter these talks, aimed at resolving allegations that banks attempted to manipulate the London interbank offered rate, or Libor, a benchmark that underpins hundreds of trillions of dollars in contracts.

Still, there are powerful incentives for the banks to enter joint negotiations.

Barclays Plc was the first to settle with U.S. and British regulators, paying a \$453 million penalty and admitting to its role in a deal announced June 27. Its chief executive, Bob Diamond, abruptly quit the next week, bowing to public pressure and erosion of the bank's reputation.

The sources told Reuters that none of the banks involved now want to be second in line for fear that they will get similarly hostile treatment from politicians and the public. Bank discussions about a group settlement initially took place before the Barclays agreement, and picked back up in the aftermath.

It is unclear which banks are involved in the potential settlement talks. More than a dozen banks are being investigated in the scandal, including Citigroup, HSBC, Deutsche Bank and JPMorgan Chase. They all declined to comment.



19 July 2012 Last updated at 03:59 GMT

Lawyers predict Libor losers will sue for compensation



By Simon Cox
BBC Radio 4's The Report

As analysts predict Libor manipulation could cost banks tens of billions of pounds in fines, the biggest threat to their balance sheets could be from those seeking compensation.

Lawyer William Butterfield has just spent two hours on the phone to his office in London, discussing potential legal action over Libor manipulation in the UK.

"They've been investigating this for some time," he says from his office in downtown Washington DC.

His firm, Hausfeld, is talking to governments, pensions funds and big corporations.
