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CORRESPONDENCE MEMORANDUM

DATE: October 9, 2013

TO: Deferred Compensation Board

FROM: David Nispel, Chief Legal Counsel
Shelly Schueller, Deferred Compensation Director

SUBJECT: LIBOR Rate Manipulation Update

This memo is for informational purposes only. No Board action is required.

At the Board's request, the Department has monitored developments related to LIBOR[i] rate setting over the past year. LIBOR is used for the Federal Deposit Insurance Corporation (FDIC) bank option offered by BMO Harris Bank. Wisconsin Deferred Compensation (WDC) participants holding assets in the FDIC account receive a blended rate of interest based on the fixed/floating interest rate allocation selected by the Board. BMO Harris Bank reports that it does not participate in the setting of LIBOR US dollar rates, nor does its parent company (BMO Financial Group). Manipulating the LIBOR interest rates is illegal and to date seven individuals have been charged with conspiring to manipulate it. In addition, four international banks have been fined for documented LIBOR manipulation. Investigations by those who feel they have been harmed by artificial LIBOR rate setting continue and additional charges are expected.

Department staff will continue to monitor LIBOR developments and will update the Board at future Board meetings when there are important changes.

Attachment A:"UK fraud prosecutor poised for more Libor charges" *Reuters* 10/3/2013

[i] The London Interbank Offered Rate (LIBOR) is an influential benchmark interest rate used by financial institutions around the world. It is set daily in London by a group of banks that submit the interest rates they would expect to pay on a loan from another bank. LIBOR is also used as a foundation for other rates, such as adjustable rate mortgages. In mid-2012, a scandal erupted regarding LIBOR rate setting when it was discovered that banks were colluding to falsely report their rates. This was apparently done to make their banks appear more creditworthy and to profit from trades.

Reviewed and approved by Robert J. Marchant, Deputy Secretary

Electronically Signed 10/15/13

Board	Mtg Date	Item #
DC	11.5.13	13B

REUTERS CANADA

UK fraud prosecutor poised for more Libor charges

Thu Oct 3, 2013 6:05pm EDT

By Kirstin Ridley

LONDON (Reuters) - Britain's leading prosecutor, the Serious Fraud Office (SFO), is poised to charge more individuals in connection with a global investigation into the Libor interest rate rigging scandal.

To date, U.S. and British authorities have charged seven men and fined four financial firms about $2.7 billion in the investigation into the manipulation of the London interbank offered rate (Libor), used as a benchmark for more than $300 trillion of products from derivatives to home loans.

David Green, who has led the SFO since April 2012, said the inquiry into Libor, a central cog in the global financial system, remains the largest and most complex case on his books - and he expected to be judged by its results.

"I anticipate there will be further (Libor) charges this autumn," he told Reuters in an interview on Thursday. "Thereafter, there will be further significant developments ... We're not finished by a long chalk."

Green said relations with the U.S. Department of Justice (DoJ), which has had a near three-year headstart in the Libor investigation, were "genuinely helpful and constructive".

Although the DoJ has been first to charge some British suspects in the scandal, Green said everyone understood that British suspects should be tried in Britain rather than extradited to the United States.

"So far as I'm concerned, alleged crimes committed by British suspects or banks should be tried here and that is the goal to which we would work," he said.

Green declined to divulge whether further Libor charges were likely to be announced before a London court hearing scheduled for the week of October 21, at which a list of alleged co-conspirators of former UBS (UBSN.VX: Quote) and Citigroup (C.N: Quote) trader Tom Hayes and two former brokers will be read out in court.

Hayes, who has also been charged by the DoJ, and former RP Martin brokers Terry Farr and James Gilmour are the first individuals to be brought to court over a scandal that has become a symbol for the financial industry's self-serving excesses.

U.S. prosecutors have also charged Swiss-based former UBS trader Roger Darin and three former staff at interdealer broker ICAP (IAP.L: Quote); New Zealand-based Darrell Read, his British-based supervisor Daniel Wilkinson and cash broker Colin Goodman.

Libor and similar benchmarks, set every day in different maturities and currencies, are designed to reflect each bank's own borrowing costs. But traders allegedly encouraged bank submissions that benefited their trading positions.

($1 = 0.6175 British pounds)

(Editing by David Evans)