Three convicted in Libor rigging trial

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Three former Barclays employees have been found guilty of rigging the Libor interest rate between 2005 and 2007.

Jay Merchant, 45, was convicted unanimously at Southwark Crown Court of manipulating the key financial rate.

Jonathan Mathew, 35, and Alex Pabon, an American 38 year-old, were found guilty by majority verdict after a ten-week trial. The trio will be sentenced on Thursday.

The Libor rate is used by banks to set prices of financial products.

It stands for the London inter-bank offered rate, and underpins trillions of pounds worth of loans and financial contracts for households and companies across the world.

The jury was unable to reach a verdict, after nearly two weeks of deliberation, in relation to two other defendants, Ryan Reich, 34, and Stelios Contogoulas, 44.

Barclays declined to comment.

'Extensive co-operation'

The Serious Fraud Office (SFO), which brought the investigation, said: "The key issue in this case was dishonesty."

SFO director David Green, who chose to pursue the Libor cases in 2012, said: "The trial in this country of American nationals also demonstrates the extent to which the response to Libor manipulation has been international and the subject of extensive co-operation between US and UK authorities."

The SFO said it had two weeks to decide whether to seek a re-trial of Mr Reich and Mr Contogoulas.

How Libor came to be fiddled

By Andy Verity, BBC economics correspondent

Libor is not based on actual transactions. It is based on asking for a submitter's opinion - at what price could you borrow funds were you to do so?

And the trouble was that often - and especially during the credit crunch - they hadn't borrowed anything. So how could they have a clue what to submit?

Imagine you are an estate agent asked to value a house in an area where you have never done business before, and where no houses had changed hands for months. How do you know the price?

It is hard to discern between an honest opinion and a dishonest one when it is necessarily a guess.

In the credit crunch, Libor became the financial equivalent of the game of pin the tail on the donkey.

Profits

Between 2005 and 2007, 16 banks, including Barclays, submitted daily estimates of borrowing rates to the British Bankers' Association, which used them to calculate Libor.

The jury heard the ability to organise even minor movements in the rate had the potential to generate large profits for a trader.

In May, it was revealed that a sixth employee of Barclays, **Peter Johnson**, had pleaded guilty to conspiring to manipulate the rate.

The prosecution said four traders - Jay Merchant, Alex Pabon, Ryan Reich and Stelios Contogoulas - asked Libor rate submitters, Jonathan Mathew and Peter Johnson, to put in rates that suited their trading at the daily setting of Libor.

It is the third case to be brought by the SFO into Libor manipulation.

Last year, **Tom Hayes** became the first individual to be convicted in the Libor fixing scandal, initially sentenced to 14 years in prison although that was later reduced to 11.

But in January five city brokers were cleared of helping Hayes to manipulate the Libor rate.