



REUTERS

Philadelphia latest U.S. city to sue banks in Libor scandal

Mon Jul 29, 2013 3:38pm EDT

(Reuters) - The city of Philadelphia is the latest of a series of U.S. municipalities, following Houston a week ago, to sue some of the world's biggest banks for financial losses incurred in the Libor interest-rate rigging scandal.

Philadelphia sued nine banks and several subsidiaries on Friday in Pennsylvania Federal Court, seeking punitive and other damages and claiming that the banks' behavior "was nothing short of naked price-fixing."

Other local governments - including Baltimore, and the California counties of San Diego and Sacramento - have also sued in connection with the scandal over manipulation of the London Interbank Offered Rate, or Libor.

The governments say that rate swap agreements that cities use to hedge borrowing costs were manipulated by the financial institutions to their own advantage.

The parent banks named in the Philadelphia complaint are Bank of America Corp, Barclays Bank Plc, Citigroup Inc, Credit Suisse Group AG, Deutsche Bank AG, JPMorgan Chase & Co, Royal Bank of Canada, Royal Bank of Scotland and UBS AG .

The scandal surrounding the Libor, against which trillions of dollars worth of products ranging from derivatives to mortgages are priced, has become a symbol of the brazen arrogance with which some in the financial industry have pursued their own interests.

The U.S. municipalities claim that they lost money when they received lower interest rate payments than they should have, or had to pay artificially inflated rates because of the alleged manipulation.

Philadelphia also said local governments were forced to pay "sometimes devastating" penalties to terminate investment agreements.

Between 2009 and 2011, the city paid nearly \$110 million altogether in termination fees to various banks to unwind swap agreements built around interest rates, including the Libor, according to its complaint.

The complex swaps "have cost state and local governmental entities hundreds of millions or even billions of dollars, depleting treasuries, ruining budgets, and hindering the delivery of public services," Philadelphia said in its lawsuit.

Citigroup and Credit Suisse declined to comment, and a representative for another bank did not immediately reply to requests for comment on Monday.

Three banks - Britain's Barclays and RBS and Swiss UBS - have paid around \$2.6 billion to date to secure civil settlements with regulators in the United States and Britain over Libor manipulation.