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# LIBOR CRISIS SPREADS

■ Emails accuse Lloyds of rate fixing ■ US planning criminal prosecutions ■ BoE governor told of fix in 2008

BY TIM WALLACE

LLOYDS became the latest UK bank to be dragged into the ongoing Libor scandal over the weekend, after the New York Fed made public emails sent by Barclays staff to the US authorities that accuse Lloyds of entering false Libor submissions in mid-2007.

A swathe of previously unseen documents also show Bank of England governor Sir Mervyn King and US Treasury secretary Tim Geithner discussed problems in the way Libor was set in early 2008, and that there was widespread concern over the lack of effective control exercised by the British Banking Association over the key interbank rate.

At the time, Geithner was president of the New York Fed.

Meanwhile Barclays has told its staff that the reputational damage suffered by the bank will be "put in perspective" when other banks' actions are made public - indicating it believes other institutions behaved as badly or even worse than the battered financial giant.

And the New York Times has revealed that the US Justice Department is building criminal cases against several financial institutions and their employees related to the manipulation of interest rates.

The scandal widened dramatically with the publication of an email sent by a Barclays staff member to the New York Fed on 28 August 2007 which warned that the day's US dollar Libor readings "look too low".

The informant pointed to Lloyds' submission of 5.48 per cent for three month borrowing, and argued



Recently released emails show Timothy Geithner (left) and Sir Mervyn King (right) discussed their concerns over Libor submissions as early as 2008

LIBOR recommendations  
Timothy Geithner to: mervyn.king  
Sent by: Marlene Williams  
Cc: Paul.Tucker  
Bcc: Michael Silva  
06/01/2008 05:00 PM

1. Strengthen governance and establish a credible reporting procedure
2. Increase the size and broaden the composition of the USD panel
3. Add a second USD LIBOR fixing for the U.S. market
4. Specify transaction size
5. Only report the LIBOR maturities for which there is a net benefit
6. Eliminate incentive to misreport



"probably the lowest rate you could attract liquidity in threes would be 5.55 per cent" - suggesting the bank was also entering falsely low readings.

"Draw your own conclusions about why people are going for unrealistically low libors," the Barclays worker added.

Other emails sent during the early months of the financial crisis show regular and growing concern that several banks were entering incorrect readings.

"We are not going to comment on speculation by traders at other banks," said a Lloyds spokeswoman in a written statement.

"In 2007, Lloyds was one of the highest rated banks in the world, with a triple-A rating and was in a strong position in relation to funding itself in the markets, compared to some other banks."

The Fed has also released correspondence between US and UK regulators, showing concern over the way in which Libor was set in the early months of 2008.

Tim Geithner suggested a list of ways in which the Libor-setting process could be strengthened, including by adding more US banks to the panel and enhancing transparency in the system - proposals that Mervyn King described as "sen-

sible," adding that he would ask the BBA to study the ideas.

Meanwhile an internal Barclays memo to staff, leaked to Sky News, shows the bank firmly expects other firms to be engulfed in the crisis.

"As other banks settle with authorities, and their details become public, and various governments' inquiries shed more light, our situation will eventually be put in perspective," said the note, co-written by executive chairman Marcus Agius.

Meanwhile Agius also wrote to customers to apologise again for the scandal, promising that "we will not allow ourselves to be distracted from what really matters - delivering for

Today's USD libors have come out and they look too low to me. Lloyds for instance has printed 5.48% for 3 months. Probably the lowest rate you could attract liquidity in threes would be 5.55% and I am not too sure how much you would get at that level.

Barclays worker's email to the NY Fed

you, day in and day out". It also emerged over the weekend that Barclays is making preparations to withdraw from the panel that sets another similar rate, the UAE's Emirates interbank offers rate (Eibor).

► MORE: Pages 2,4

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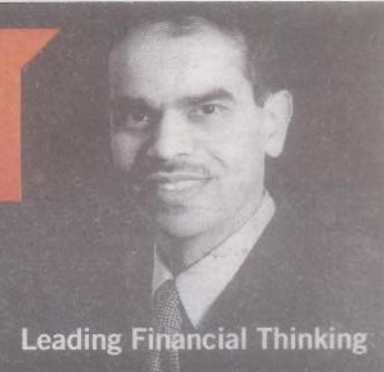
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Leading Financial Thinking



# LIFE&STYLE TRAVEL

## Roughing it in style in Peru

**O**F ALL the things one might expect to find at the bottom of a steep dell in the Peruvian rainforest, the rusted iron hulk of an ancient steamboat would not be high on the list. And yet I'm looking at just that scene: decades after the boat somehow came to rest here, its old funnel still points upwards to the tree canopy while its hull has half sunk into the mouldering soil of the forest floor.

I nursed a hope that perhaps this wreck was left behind by the makers of *Fitzcarraldo*, Werner Herzog's epic 1982 flick that was filmed around here. It concerned a nutty, turn-of-the-century businessman who did indeed haul a steamboat through the Peruvian jungle, in an effort to reach distant forests of rubber trees. In fact the wrecked boat once toured the nearby Madre de Dios river, bringing healthcare and education to local populations. In the 1950s it became stuck in a creek that has since dried out, and there it has remained. The jungle appears to be gradually swallowing it up, bit by bit.

Indeed: this corner of the Amazon basin is just a little more welcoming than when Herzog was here filming his movie, a shoot famously beset by pestilence, disease, hostile local tribes and the deaths of crew-members.

The boat's muddy ditch now falls within the 800 hectares of unfettered jungle belonging to Hacienda Concepcion, a hotel lodge sitting in a forest clearing not far from the great river. Opened late last year, it is the fifth property of Inkatererra, a not-for-profit company running a handful of eco-friendly, smartly designed hotels in locations around Peru.

The original Inkatererra estate, the more expensive and extensive Reserva Amazonica, is a few kilometres along the river (Hacienda Concepcion, smaller and a little more basic in its offering and setting, falls under the company's brand for reasonably priced hospitality, ByInkatererra). Both properties lie on the edge of the Tambopata National Park, a protected region in southern Peru that runs up to the Bolivian and Brazilian borders, notable for the particular diversity of its ecosystems. For nature enthusiasts, or anyone wanting to experience the profound, eerie beauty and drama of the Amazon wilderness, it's a magnificent place to discover.

Getting here is a job in itself though. From the Peruvian capital Lima we first flew to Cuzco, the great city of the Incas high in the Andes. From there, an hour's plane journey to the remote, dusty town of Puerto Maldonado.

As the intense, damp heat of the Amazon region closed around us, we hopped aboard a rickety open-top bus (laid on by Inkatererra) that wobbled its way to the bank of the Madre de Dios river, a great waterway that eventually joins with huge tributaries flowing into the Amazon itself. Then a boat journey along the tea-coloured waters of the Madre de Dios finally deposited us on a muddy bank leading up to Hacienda Concepcion. After such a journey, the Pisco Sour cocktail prepared on arrival was heavenly.

The brilliance of the Inkatererra concept is to bring you

Timothy Barber visits the Amazon and enjoys its wildness...with a nice dose of luxury

A room in Hacienda Concepcion. Below left: an ancient steamboat that once brought healthcare and education to locals. Below right: Lake Sandoval.



right in amongst the dramatic wildness of the rainforest, but to cosset you with just enough comfort, security and style that you never feel you're roughing it.

The Hacienda lies on the site of a former Christian mission that closed in the 1970s. You can't help thinking that the missionaries would have been rather jealous of Inkatererra's contemporary comforts, including a cocktail bar, top-grade fresh linen and hand-carved wooden furniture.

Both Hacienda Concepcion and Reserva Amazonica are based around a central lodge that serves as relaxation lounge and restaurant – the

Pisco Sour, Peru's national drink

Peruvian dishes prepared here, from fresh ceviche of Amazonian river fish to spicy grilled dishes and concoctions drawing on the vibrant ingredients of the rainforest, are memorably superb – with spacious outlying cabins where you sleep. These each have bathrooms, large beds under mosquito nets, and hammocks that swing above decking terraces. A few also have their own plunge pool.

Every structure is sealed with thick netting to keep out unwelcome visitors. While it's nevertheless worth caking yourself in mosquito repellent whenever you're moving around outside, you can take comfort in the fact that this area is officially malaria-free.

From these bases you can launch yourself into the many excursions and guided activities Inkatererra organises to allow you to experience the rainforest in all its magnificence. That doesn't just mean by day. Dusk comes early in these parts, and a night-time trek into

the jungle offers an opportunity to spy some of its nocturnal inhabitants by torchlight. We also ventured out for a late-night cruise on the Madre de Dios, a searchlight trained on the shore revealing caimans slithering by and capybara, Peru's dog-sized rodents, lolloping awkwardly along the banks.

There are short or full-day excursions into the rainforest, all led by Inkatererra's expert guides. The attitude here is very much towards conservation and sustainability, with visitors not merely entertained but also educated.

Lake Sandoval, an isolated and quite remarkable ox-bow lake deep in thick jungle, is an essential visit. We walked for an hour and a half along a simple jungle trail to get there, arriving at a swampy inlet where we clambered into a boat powered only by a large oar wielded by our guide, who told us about the snakes, electric eels, anacondas, caimans and water termites that

live in the water – any thoughts of taking a quick dip were swiftly dispatched. As we glided onwards the surrounding trees echoed with strange calls – howler monkeys, our guide explained, telling us to keep our distance. Eventually we turned a corner and found ourselves on the glassy surface of the huge lake, where the placid water presented a perfect mirror image of the trees that rose above its shores. Sleeping bats clung upside down to the trunks of coconut palms; swarms of white butterflies flitted madly over lilies; and a brown, long-necked stork sat lazily in a clump of reeds. High up in the trees, a flash of bright blue and gold turned out to be a trio of rare macaw – in unison they swooped away in slow formation. A rare and privileged sighting of such noble birds in their natural habitat – one we were able to toast with a welcome Pisco Sour after our return to the quiet comforts of our base.

### AMAZONIAN LUXURY

■ Inkatererra Reserva Amazonica: prices from around £415 for a double superior cabin for three night/four day programme.  
■ ByInkatererra Hacienda Concepcion: prices from around £290 for a double cabin for three night/four day programme. Prices include round trip transportation, programmed excursions, full board.

Other Inkatererra properties:

■ La Casana – 11-suite boutique hotel in Cusco, the historic capital city of the Inca civilisation, the only Relais & Chateaux hotel in Peru  
■ Machu Picchu Pueblo Hotel – high-luxury hotel resort in the Andes  
■ El MaPi – affordable boutique hotel at Machu Picchu (under the ByInkatererra brand)

Inkatererra Experiences by Inkatererra offers completely personalized travel itineraries through Peru. For more information visit [www.inkatererra.com](http://www.inkatererra.com)

Timothy Barber's internal flights, rail transfers and overnight stay at Costa del Sol Ramada Hotel in Lima were sponsored by PromPERU, the Commission for the Promotion of Peru. For more information visit [www.promperu.gob.pe](http://www.promperu.gob.pe)