Ohio Legislative Service Commission

Bill Analysis

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H.B. 40
130th General Assembly
(As Introduced)

Reps. Foley, R. Hagan, Antonio, Ramos, Letson, Fedor, Cera, Boyce, Patterson

BILL SUMMARY

- Requires the Treasurer of State to investigate whether any funds that were in the state treasury or any funds that were in the custody of the Treasurer but not part of the state treasury were lost as a result of the fraudulent manipulations to the London InterBank Offered Rate (LIBOR), or other related actions, made by major international banks.

- Requires the Treasurer also to investigate whether any state institution of higher education lost funds as a result of those fraudulent manipulations to the LIBOR.

- Specifies that the investigation must focus on investment and other similar transactions involving those funds that occurred between January 1, 2007, and January 1, 2013.

- Requires the Treasurer to compile and report the amounts of the losses to the President and the Minority Leader of the Senate, the Speaker and the Minority Leader of the House of Representatives, and the Ohio Attorney General within six months of the bill's effective date, if funds were lost.

- Permits the Treasurer to collaborate with any other relevant entity, including the Ohio Attorney General, the Ohio Department of Commerce, the Ohio Board of Regents, and the president or board of trustees of a state institution of higher education, in order to carry out the investigation.

- Requires any such entity to comply with the Treasurer's request for collaboration.

- Declares an emergency.

CONTENT AND OPERATION

Background

The bill requires the Treasurer of State to investigate the potential loss of state funds because of recent fraudulent manipulations to the LIBOR. The bill defines LIBOR as the London InterBank Offered Rate defined by the British Bankers' Association to mean the rate at which an individual contributor panel bank could borrow funds, were it to do so by asking for and then accepting interbank offers in reasonable market size, just prior to 11 a.m. London time.[1]

In other words, the LIBOR provides an estimate of the prevailing interest rates at which member banks could borrow money at a given point in time, and provides separate indexes for different currencies and loan periods. This estimate is calculated by surveying member banks each day, discarding the highest and lowest survey responses, and averaging the remaining responses. The financial industry uses the LIBOR for several purposes, including as a reference point to determine what interest rates to charge for commercial and consumer loans.[2]

In 2012, Barclays Bank and UBS admitted to having manipulated their survey responses in an effort to alter the LIBOR, with the goal of benefiting themselves financially. The U.S. Department of Justice, the Commodity Futures Trading Commission, and other agencies fined Barclays a total of $450 million and UBS a total of $1.5 billion. Several other banks currently are being investigated for related activities.[3]

Investigation of state funds lost as a result of manipulations to the LIBOR

Under the bill, the Treasurer of State must investigate whether any funds that were in the state treasury or any funds that were in the custody of the Treasurer but not part of the state treasury were lost as a result of the fraudulent manipulations to the LIBOR, or other related actions, made by major international banks as determined to have occurred by the U.S. Department of Justice, the Financial Services Authority of Britain, or other similar investigative or regulatory authorities in the U.S. or abroad,

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[1] Section 1(A) of the bill.

[2] Edward v. Murphy, *LIBOR: Frequently Asked Questions*. Congressional Research Service Report, July 16, 2012. Available at fas.org/sgp/crs/misc/R42608.pdf, accessed February 15, 2013.

[3] *UBS fined $1.5bn for Libor rigging*. BBC News, December 19, 2012. Available at bbc.co.uk/news/business-20767984, accessed February 15, 2013. See also *Barclays Bank PLC Admits Misconduct Related to Submissions for the London Interbank Offered Rate and the Euro Interbank Offered Rate and Agrees to Pay $160 Million Penalty*. U.S. Department of Justice Office of Public Affairs, June 27, 2012. Available at justice.gov/opa/pr/2012/June/12-crm-815.html, accessed February 15, 2013.

pursuant to a settlement or civil, criminal, administrative, or equivalent proceeding. The bill also requires the Treasurer to investigate whether any state institution of higher education lost funds as a result of those fraudulent manipulations to the LIBOR. The investigation must focus on investment and other similar transactions involving those funds that occurred between January 1, 2007, and January 1, 2013.

If the Treasurer determines that those funds were lost, not later than six months after the bill takes effect, the Treasurer must compile and report the amounts of the losses to the President and the Minority Leader of the Senate, the Speaker and the Minority Leader of the House of Representatives, and the Ohio Attorney General.

The Treasurer may collaborate with any other relevant entity, including the Ohio Attorney General, the Ohio Department of Commerce, the Ohio Board of Regents, and the president or board of trustees of a state institution of higher education, in order to carry out the investigation. Under the bill, any such entity must comply with the Treasurer's request for collaboration.[4]

Finally, the bill declares an emergency and states that the bill must take immediate effect because the state must determine whether grounds exist to seek damages to recover any losses resulting from the fraudulent manipulations to the LIBOR.[5]

HISTORY

ACTION	DATE
Introduced	02-12-13

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[4] Section 1 of the bill.

[5] Section 2 of the bill.