HOUSE OF COMMONS

ORAL EVIDENCE

TAKEN BEFORE THE

TREASURY COMMITTEE

EVIDENCE FROM BOB DIAMOND

WEDNESDAY 4 JULY 2012

BOB DIAMOND

Evidence heard in Public

Questions 1 - 319

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Oral Evidence

Taken before the Treasury Committee

on Wednesday 4 July 2012

Members present:

Mr Andrew Tyrie (Chair)
Michael Fallon
Mark Garnier
Stewart Hosie
Andrea Leadsom
Mr Andrew Love
John Mann
Mr Pat McFadden
Mr George Mudie
Jesse Norman
Teresa Pearce
Mr David Ruffley
John Thurso

Examination of Witness

Witness: **Bob Diamond**, former Chief Executive, Barclays, gave evidence.

Q1 Chair: Thank you very much for coming in today, Mr Diamond. This hearing is subject to parliamentary privilege and we will hope and expect that you will as a result be able to speak freely and, of course, even more freely now you have resigned. The hearing is about turmoil at one of Britain's leading financial institutions and certainly I accept that Barclays has suffered bad publicity partly because you settled first. None the less, these issues go much wider than that LIBOR settlement, even though that did appear to have precipitated your resignation.

I think before we go any further, given that you have resigned, I would like to give you an opportunity to explain your reasons.

Bob Diamond: Thank you Chairman, and thank you everyone for being here.

Wow. I love Barclays. That's where it starts. I love Barclays because of the people. It is 16 years ago today, on 4 July 1996, that I began at Barclays, and it has been 16 years of tremendous enjoyment; and that enjoyment has been driven by the incredible 140,000 people in over 50 countries around the world.

Chairman, as you said, this week the focus has been on Barclays, in many ways because they were first. I worry that the world looks at Barclays and a small group of traders, or a group of traders, who had reprehensible behaviour, and that that is being put on Barclays in a way that is not representative of the firm that I love so much and the way they treat their customers and clients, and the way they deal with problems.

That comes to the core of the issue: clearly there were mistakes. Clearly there was behaviour that was reprehensible; but as soon as this was recognised Barclays put all forces—if there's a mistake, if there's a problem, how do we handle it? What do we do about it? At Barclays it has been three years with three of the most important regulatory agencies in the world looking at millions of files; and all three regulatory agencies applauding Barclays for its co-operation, analysis and proactivity. We hired two external firms to work with two members of senior management, reporting to the chairman of the board and the chairman of the audit committee. The attitude of Barclays three years ago when this was recognised was, "Let's get to the bottom of it. Let's identify the problem; take the actions necessary; learn our lessons and, if any of our customers and clients got hurt, let's make them good." That attitude is recognised by the three regulatory agencies in what they wrote, but it is not coming out in the court of public opinion over the past week.

Fundamentally, my decision to resign was that my leadership and questions about my leadership have been a part of that. The best way I think I can help bridge Barclays from the turmoil of being the only one out, so that this is looked at in the true context of being about an industry and about LIBOR in addition to Barclays, and prevent the damage to the reputation that has happened over the past week, the best way for me to do that was to step down but to continue to come here and answer the questions of the Committee. I love Barclays. History will judge Barclays as an incredible institution because of its people. We need to get through this period and the best way to do that was for me to step down.

Q2 Chair: Why did you change your mind over the weekend? What was the trigger? There have been reports that there was pressure from the regulators. Is that correct?

Bob Diamond: Let me explain why I changed my mind. That is a good question. It was not over the weekend because we worked over the weekend on a communication to our colleagues internally. We did that knowing we had the support of the board and the support of our shareholders, with whom we had been working from the announcement toward the end of the week, of our colleagues, clients, customers and regulators. It was clear to me on Monday that that support wasn't as strong, and that I needed to take this step in this bridge. The support from the regulators was not as strong as it had been and I needed to take this step.

Q3 Chair: I just want to pin that down. Did one or more of the senior regulators ring Marcus Agius?

Bob Diamond: I don't know.

Q4 Chair: When Marcus Agius spoke to you or you spoke to him, did he refer to any pressure of any type that had come?

Bob Diamond: That is probably a question for Marcus, who I know is here next week.

Q5 Chair: I am asking you to tell me what he would have told you in that conversation. You would have had a conversation with your chairman about this, and about the sustainability of your continued role as chief executive.

Bob Diamond: I would say broadly speaking it was just as I said. With the focus of intensity on my leadership, it was better for me to step down.

Q6 Chair: Why are you so reluctant to tell us what may have transpired with those regulators over the weekend? We are going to have them before us.

Bob Diamond: I am trying to think if I had any conversations with regulators over the weekend.

Q7 Chair: You didn't but Marcus Agius did, didn't he?

Bob Diamond: Chairman, I think it is as simple as this. If Marcus had conversations with regulators, that is a conversation for him to have with you. I did not discuss that with him; I just discussed my reasons.

Q8 Chair: It is widely held that regulators have lost confidence—and it's not just LIBOR—in your leadership of Barclays. Why do you think that is?

Bob Diamond: I think there has been an unfortunate series of events in the past week around Barclays being identified as the first bank in a report that clearly showed very, very bad behaviour by groups of people. How we dealt with that was, I think, appropriate and that was a sign of the culture at Barclays, but that is not coming out.

Q9 Chair: The answer you are giving is that it is the "the first mover disadvantage".

Bob Diamond: Yes.

Q10 Chair: But it is true, isn't it—at least I have been told—that the FSA were concerned about your appointment as chief executive? They sought assurances from the board at the time of your appointment that there would be a change of culture at Barclays. Is that not correct?

Bob Diamond: That's the first I've ever heard that there was any question about my appointment as chief executive. I certainly went through, as a chief executive appointment would, interviews with the Financial Services Authority, and I got very strong support for my appointment to chief executive.

Q11 Chair: And you know nothing of any written submission by the FSA to the board at that time, setting out the need for an improvement in the corporate governance of Barclays, an improvement in the culture, a need to look better at how you were assessing the risk appetite, and to improve the control framework? You know nothing about this whatsoever?

Bob Diamond: I knew nothing about it at the time that I was appointed. Correct. I don't know anything about it.

Q12 Chair: We're talking about September 2010 here.

Bob Diamond: Correct.

Q13 Chair: And you know nothing at all about the suggestion that you were asked to provide assurances that you would challenge your long-term colleagues at BarCap not to take excessive risks?

Bob Diamond: I don't remember any specific comments, but I am sure there were discussions with the regulators during the process of my succession. My memory is more around whether, having been associated with the investment bank for a number of years, I would be able to disassociate myself so, as a group chief executive, I would be able to leave the running of the investment bank to—at the time—Rich and Jerry.

Q14 Chair: Is it true that, in February this year, the FSA came to the board and expressed their concerns?

Bob Diamond: I think it's every year, Chairman, in that February meeting that the FSA comes, so—

Q15 Chair: What was said?

Bob Diamond: The context of the discussion when it got to controls, which I think is what you are asking about—I should call it the control environment—was that the focus and the tone at the top was something that they were specifically happy with. In particular, they talked to the board about Chris and I and our relations with the regulators, how we dealt with any situation that came up. I am thinking of PPI—

Q16 Chair: Isn't it a bit more specific than that, Mr Diamond? Didn't they tell you that trust had broken down between the FSA and Barclays?

Bob Diamond: I don't recall that in the February meeting.

Q17 Chair: Didn't they tell you that they no longer have confidence in your senior executive management team?

Bob Diamond: No, sir.

Q18 Chair: And wasn't all this followed up with a letter?

Bob Diamond: There was a discussion that, as it got down into the organisation, they felt that there were some cultural issues—that people sometimes push back; that some of the push-back wasn't always filtered up to the top—so there was an overall discussion on culture. We took some of this as, "This is the annual review from the FSA", and—

Q19 Chair: This is the sort of thing they say every year?

Bob Diamond: No, I didn't mean it that way at all, sir—apologies—but it was part of an annual review, so it is always going to have some things that they are going to be critical of and that we can do better. But they were specifically pleased, and said so to the board, with the tone at the top, referring in particular to Chris Lucas and myself and our colleagues on the executive committee.

Q20 Chair: Isn't it true that there were challenges from them about your stress tests, your accounting practices, the handling of the Protium deal? Of course, we have subsequently had the debt buy-back scheme, the interest rates swaps problems and of course now LIBOR. Isn't this all part of a pattern?

Bob Diamond: I don't remember anything—I didn't brief before this on the February meeting, so I don't mean to skip over anything, if I am. There was a conversation, I think. There had been a series of things, such as Protium, which became quite an issue between the FSA and ourselves. Without going into the versions of that transaction, because it was a transaction that was approved by the FSA, I think, to be fair—I wasn't the chief executive at the time, so I'm probably speculating a little bit—it was a transaction that created more debate between the FSA and Barclays than probably anyone anticipated when the transaction was done. I remember Protium coming up during that meeting in the context of, “Let’s not have these types of situations.”

Q21 Chair: This will all come out in the wash—what happened in September 2010 and, indeed, what happened in February this year. Can I turn to the decision during the crisis to lower the LIBOR returns? In your letter to me last week, you said, I quote, “the decision to lower LIBOR submissions was wrong”. When was that decision taken?

Bob Diamond: Context—I have discussed with you that there will be times for context. I think our letter to you laid out pretty well that there are three different periods that it is easiest for me to refer to. There was the period between 2005 and 2007, with some activity that carried up into 2008 and very early in 2009, but primarily 2005 to 2007, which was about a group of traders and the influence they were putting on the rate setters. That is one period.

There was a second period, which I think you are referring to, which was during the credit crisis of 2007 to 2008, when there was pressure put on the rate setters coming from the Barclays group.

Chair: Okay.

Bob Diamond: If I can just finish with the third, I can call one, two and three going forward. The third was really the period toward the end of 2008—October 2008—when there have been questions about the Bank of England discussion with a senior person and pressure on the rates. So those are the three periods, and I think you are dealing with the middle one?

Q22 Chair: So this decision was taken in, from what we can tell from the FSA documentation, September 2007.

Bob Diamond: The decision to influence rates?

Q23 Chair: Yes—to lower LIBOR submissions.

Bob Diamond: I am pretty sure that was the— I cannot remember if it was exactly September.

Q24 Chair: I am surprised that you are unsure. It is pretty reasonably clear.

Bob Diamond: I thought you were asking about the first instance. It was in September, yes.

Q25 Chair: This is all set out in paragraphs 111 to 114 of the FSA’s final notice report. I want to clarify that the decision that you refer to in your letter is indeed the decision, and the set of actions taken, in paragraphs 111 to 114.

Bob Diamond: I apologise, Chairman. I am confused. I think there was a different set of decisions from traders and some of those happened before September 2007.

Q26 Chair: I am talking about the second period. We are talking about the period in the crisis when the decision was taken to lower LIBOR—specifically to lower it. I began by saying I was talking about that latter period, not the first period. This does make clear, does it not, that the decision to lower LIBOR was not taken as a result of the Tucker conversation, which did not take place until over a year later?

Bob Diamond: Excuse me, that is correct.

Q27 Chair: Let's turn to the Tucker file note. Do you usually take a file note?

Bob Diamond: Occasionally, I would say. Not frequently.

Q28 Chair: How many have you taken of your contacts with regulators over this relevant period? You have listed the relevant contacts with regulators in your submission to us.

Bob Diamond: Most of those contacts were not me, and it is today—

Q29 Chair: How many of them were you?

Bob Diamond: I think on that schedule the only one that referred to me was the conversation with Paul.

Q30 Chair: You had no other contact with regulators apart from that one?

Bob Diamond: Sorry, I think what we are listing there was the specific—

Q31 Chair: I am at page 7 of the supplementary evidence that you produced for us yesterday.

Bob Diamond: This is the submission that Barclays sent in yesterday.

Q32 Chair: I would like to know how many of these contacts are you.

Bob Diamond: I had fairly frequent contact with the regulator during this period, but my contact would generally be with the Bank of England or with people below the Hector level, because at this time John was the chief executive.

Q33 Chair: Of this fairly frequent contact, how many of those were file-noted—roughly?

Bob Diamond: Maybe a few.

Q34 Chair: A handful?

Bob Diamond: Yes.

Q35 Chair: So the fact that you took a file note is very significant indeed, isn't it?

Bob Diamond: Today I do it regularly, because as chief executive I have regular, more official meetings, but in terms of a phone call, that would be correct.

Q36 Chair: What did you take Mr Tucker's use of the phrase "Whitehall" to mean? You wrote it down and put it in your file note.

Bob Diamond: Yes, I did. I think that was the core of the reason that I dictated that note and communicated with John right away. As you saw, the file note was to John. The concern we had, if I can put it in context, was that this was 29 October 2008. I don't have to remind the Committee what October of 2008 was like. We had had the Government intervention in the Royal Bank of Scotland; we had the Government intervention in Lloyds—

Q37 Chair: I am actually asking you a question about what you took to mean—

Bob Diamond: I should have been more direct, I apologise.

Chair: —what you took to mean by the phrase "Whitehall", when you wrote that down.

Bob Diamond: On 31 October, two days later, the fundraising from the Middle East was completed, so within the context of this market there was a worry that if people in Whitehall, which in my mind are officials in the Government—

Q38 Chair: That is all I was asking. We have now arrived at the answer. You think it was officials. Okay. The note from Mr Tucker says that he felt your LIBOR returns could be lower, doesn't it?

Bob Diamond: He felt that our LIBOR rates relative to the other 15 posters—

Q39 Chair: Could be relative lower. Yes?

Bob Diamond: Yes.

Q40 Chair: Why then, on page 2 of your note to this Committee yesterday, did you say that you don't believe you received an instruction?

Bob Diamond: I did not believe it was an instruction.

Q41 Chair: So what was it? A nod and a wink?

Bob Diamond: The most important thing of that note to me, Chairman, was the comment that there was a perception in Whitehall that our rates were high. The worry that I shared with John was that if members of the Government were told our rates were high relative to others, and if they then took that to mean that we could not fund or were having trouble funding—and I have to be very patient here—when in fact we were funding adequately in one of the worst market environments, well, the worst market environment I had ever been a part of in 30 years in banking, and it was clear that a number of the firms who were posting had emergency loans, or had been nationalised, or were having trouble funding, and yet we were posting the highest level, then, as I said to Paul, we are funding at those levels but we would question whether some of the other institutions can actually get funds at the levels they are posting—

Q42 Chair: My question is about what you took that to mean.

Bob Diamond: The implication of that for Whitehall—

Q43 Chair: If I read it out to you, your LIBOR returns "did not always need", i.e. do not always need, "to be as high as we have recently." It is pretty clear.

Bob Diamond: I think what Paul was worrying about—

Q44 Chair: It is pretty clear. In other words, your LIBOR returns could be lower.

Bob Diamond: If you look at one more page in there just so that I can make your point even more, because I think it is the right point. If you look at page 22, which is the LIBOR submissions of 16 banks that submit three-month dollar LIBOR, which was the question at the time and if you look at the top of that page and that line that goes across, that is the Barclays submission. Here is the important point. In October 2008, when Barclays was funding adequately, probably as well as any international bank and as well or probably close to as well as any bank that submitted, and there are banks here that were posting levels lower than this, even those that were nationalised, in 100% of the days in October 2008—100% of the days—we were the highest posting LIBOR or the next to highest.

Q45 Chair: You—

Bob Diamond: It is really important, Chairman, if you can bear with me. To hear some of the comments that have been made that Barclays was lowering their submissions for their reputation or things like that—Barclays during that month was reporting levels at which they were borrowing, and yet 14 or 15 firms, 100% of the days, were reporting at levels lower than that, and some of those banks could not fund at any level.

Q46 Chair: We know that others were up to this game, Mr Diamond.

Bob Diamond: No, no. That isn't the point.

Q47 Chair: If you could get to the point.

Bob Diamond: If Whitehall was told, "Barclays is at the highest of LIBOR", without knowing all that I just went through, they might say to themselves, "My goodness, they can't fund. We need to nationalise them," as they had nationalised other British banks. This was a very important period.

Q48 Chair: Which you were desperately trying to avoid.

Bob Diamond: We weren't desperate; we had £6.7 billion in equity being raised. Or, if rumours got on the market that we could not fund, maybe we could not complete the equity raising—the single most important financing that Barclays has had, I think, in—

Q49 Chair: I just want to be clear. You don't think you received an instruction; you don't think that it was even a nod and wink, even though it reads that way to almost everyone who looks at it; but you were monitoring LIBOR daily and your returns by then, weren't you, Mr Diamond?

Bob Diamond: Was I monitoring LIBOR?

Chair: You were monitoring LIBOR and keeping a very close eye on it. It was a key indicator of the health of your bank.

Bob Diamond: I was aware of it, but I would not say I was the key person monitoring it, no.

Q50 Chair: You weren't the key person, but you were being told what it was.

Bob Diamond: I was on a daily report, yes.

Q51 Chair: You were getting a daily report, and you would have noticed that it fell the day after you sent that e-mail.

Bob Diamond: That is a very good question. I do not want to get you upset, but this will take a second. This is really important, because there was a report in the press today about how on the day of that note—the next day or two days later—LIBOR rates went down. If you look on the very next page, at November, you will see that through all of November as well, Barclays was either the 14th, 15th or 16th—we were either the highest, second highest, or third highest. But this is a relative rating: where did we post versus the other 15 banks? What you are referring to is that, following our fundraising, which was very positive news to the market, levels of LIBOR went down across the market. It had nothing to do with Barclays submissions. Barclays submissions were still at the high end, meaning that we were still reporting at those levels.

Chair: I got the point, but we already knew that point.

Bob Diamond: So, it's the difference between the relative rating—when someone says, "Your LIBOR is high," they mean that relative to the other posting banks, as opposed to, "LIBOR is high," which means the absolute level of rates. We had two different events here. We had Barclays at the high level relative to the other firms and then we had a reduction in LIBOR based on good news in the market and part of that was the fundraising of Barclays.

Q52 Jesse Norman: Mr Diamond, you have talked about setting up BarCap in 1998. I think I am right in saying that you came to it having been the global head of fixed income at Credit Suisse First Boston, and before that at Morgan Stanley. So how long had you been in the debt markets before you arrived at Barclays?

Bob Diamond: I think my first position at Morgan Stanley in the money markets, which I think you would consider the same, was 1981 or 1982.

Jesse Norman: So that is 27 years—no, sorry, 17 years.

Bob Diamond: You were in Barclays too, I understand.

Jesse Norman: I left sadly before you set up BarCap.

Bob Diamond: We shared some time at BZW though.

Q53 Jesse Norman: Tell me about your experience of bond markets. You had been in the derivatives markets?

Bob Diamond: No derivative person would ever consider me a derivative person, I can assure you. I am a little old for that. I was really in money markets. When I was actively involved, before I was in management, I was in the cash markets or the money markets.

Q54 Jesse Norman: And also markets that were funded off those—off the cash markets or indirectly—such as bond markets?

Bob Diamond: Yes.

Q55 Jesse Norman: Okay. Fixed and floating rates, LIBOR and other?

Bob Diamond: Mostly US Treasury or European Governments or Japanese Government. It was more on the Governments and supernational side.

Q56 Jesse Norman: So in other words, when you arrived at the opportunity to set up BarCap, you had been living and breathing the debt capital markets in different forms for 17 years.

Bob Diamond: It was more the Government markets, but fixed income, yes.

Q57 Jesse Norman: And the opportunity for you was to use the Barclays balance sheet and the Treasury function to set up a bank that used your ideas and your experience, as you wanted it to be?

Bob Diamond: Well, I would have said it slightly differently, but there was an opportunity at Barclays, because Barclays at that time, as you know, Jesse, was more UK-focused as opposed to internationally-focused.

Q58 Jesse Norman: I think I remember you saying to the Committee that it was sub-scale; it employed slightly less than high-quality people and did not pay them very much, so the opportunity to change all those things must have been exciting and interesting.

Bob Diamond: Part of the sub-scale is that they had scale in the UK, but it was impacting their ability to expand internationally, which they were trying to do.

Q59 Jesse Norman: When you set up BarCap, you were responsible directly, therefore, for recruiting senior staff and for deciding which products you focused on and markets you played in around the world. Those would all have fallen under the experience that—

Bob Diamond: Certainly, we would have gone to the board if we entered any new products or any new regions, but I would have been part of driving that strategy and presenting it.

Q60 Jesse Norman: Did you run it on a very hands-off basis, as it were, decentralised, or did you give people a free rein and let them do what they liked? How did you run it?

Bob Diamond: I think my management style at the time, if that is what you are asking, was to have an executive committee that had all the representatives of the things that reported up into me. I certainly preferred a consensus style of management, that we could agree on the right decision, as opposed to the chief executive making all those decisions, if that's what you're asking—sorry, you asked about centralised. I think people would have considered it more centralised rather than less centralised.

Q61 Jesse Norman: That makes sense. I just wanted to establish that you had a high level of familiarity with the bank, because you were starting with a relatively blank sheet of paper from Barclays, recruiting these teams and setting up products and markets according to a financial and economic model that you believed in.

Bob Diamond: In some ways, it's interesting. In the gilt market, for example, even today, some of our people have been here 25, 30 or 35 years, in the money markets. Because Barclays had such a rich and strong tradition in the sterling-based market, many of those people have been with the bank for quite a while. Conversely, as we began operating in areas where we did not have very much of an operation, it would typically be people hired from the outside.

Q62 Jesse Norman: So there would have been lots of people all the way down the bank dealing with the Bank of England, because of the experience and provenance of the bank.

Bob Diamond: Yes.

Q63 Jesse Norman: So senior management, but also treasury people and people within different parts of the bank. What are the other kinds of parts of the bank that would be dealing with the Bank of England?

Bob Diamond: Certainly we would have started with the group treasury. My recollection—you may remember this—was that Patrick Perry was the group treasurer, reporting to Oliver Stocken. All the group funding issues, which sometimes were executed—I think in the BZW days as well—through the markets groups, but the governance and the decisions were made by the group treasury. Euan Harkness, whom I know you remember, and who has been with the firm until recently, had probably the closest relationship with the Bank of England in our gilt-edged operation.

Jesse Norman: I don't think I've met him or heard of him, but tell me about your relationship with the Bank of England. Do you think the Bank was slow to respond to the crisis in 2007-08? Is that what is lying behind some of these concerns?

Bob Diamond: No I don't. If we look relative to other banks in the world, I think one of the best decisions we made as an institution in Barclays, if I look over the period of the financial crisis and said to myself, "Bob, what is the single best decision that Barclays got right?" was when it was clear in October 2008—the period we are talking about—that the FSA had made a decision to ask all banks to carry more equity and soon after it had nationalised—I may be overusing the word, because it might have been an equity stake—Lloyd's. The HBOS merger with Lloyd's had been arranged and, we know today, a £62 billion loan had been arranged for HBOS, after the announcement of the deal but before the completion of the deal with Lloyd's. With all those things going on in the market, we raised capital privately.

Q64 Jesse Norman: I think we are talking at cross-purposes. I am talking about the Bank of England. Was the Bank of England slow to respond to the crisis in 2007-08?

Bob Diamond: It was many, many different levels of response. Being a market practitioner, we always wanted as much response we could get from the big central banks in terms of money market conditions. I do not recall a specific example.

Q65 Jesse Norman: But living and breathing in the debt markets, you would have seen the Bank of England's operations either existing or not existing, supporting or not supporting the bank.

Bob Diamond: I think the Fed took the lead; I would say it that way. I understand where you are going. Were people in the markets or was I critical? I would not have called it critical, but we were working with and encouraging more activity from the Bank of England in terms of the money markets.

Q66 Jesse Norman: The point I want to get to is whether the Bank of England's slowness to respond put further or unnecessary strain on the Barclay's balance sheet, as it did with other banks. If so, might that have made the crash worse and created some of the adverse behaviour that we have seen?

Bob Diamond: When we look back at that period, Jesse, I think it would be fair for me to say that Barclays, for a host of reasons—tradition, the quality of the brand name, the fact that we had a balance of funding coming from around the world, so we had central bank deposits from the Central Bank of Japan, from China—had access to funding that was different than many banks, a credit rating that was strong, a balance sheet that was strong—

Q67 Jesse Norman: Okay, that isn't answering my question at all. I asked whether or not the Bank of England has been adequately supporting—

Bob Diamond: No, I don't think that was an issue for us. I think the day-to-day funding of the bank—I think that's what you're asking for—our access to money markets, our access to funds—I would have categorised it relative to the other banks, not just headquartered in the UK, but the other global banks—was right at the very top in terms of our access to liquidity and our access to funding.

Q68 Jesse Norman: So you didn't have to make any asset sales. You were happy with the Bank of England and you were—

Bob Diamond: We had to make sales of securities that we felt were—but it was more based, not on could we get them funded, but on the fact that they are going to deteriorate in value.

Q69 Jesse Norman: And you're watching the markets.

Bob Diamond: We felt comfortable. I don't want to overstate it, because the markets were in turmoil, but relative to the other banks and relative to our need to fund, I think the Bank of England and the Fed would also say Barclays was in a very good position in funding.

Q70 Jesse Norman: So your point is, you're watching the Barclays balance sheet like a hawk. You need to fund. You're making sure that these rates are properly doing their job, with the screens on the table, seeing what is the right moment to come into the market—that kind of thing.

Bob Diamond: No, I was not day to day on the desk at all, or timing when we came into the market, at all. No.

Q71 Jesse Norman: But you'd be following; looking on.

Bob Diamond: Let me say it another way. I would have had a report if we had a funding problem.

Q72 Jesse Norman: Sure. Thank you.

Q73 Michael Fallon: Can I remind the Committee of my registered interest as non-executive director of Tullet Prebon, which is one of the brokers that was asked by the FSA to help with the investigation—to provide information to help with the investigation into the banks?

Can we, Mr Diamond, go back to the file note of your call? You said in answer to the Chairman that you thought the senior figures referred to were—you said at one point—officials in the Government, and then later on you said members of the Government. Which do you believe? Who do you think they were?

Bob Diamond: I would only be speculating if I told you who I thought they were, and I don't think it's appropriate to speculate. My recollection is Paul didn't mention who he was referring to or I would have put it in the note.

Q74 Michael Fallon: Right. But who do you think he could possibly have been referring to?

Bob Diamond: I don't want to speculate.

Q75 Michael Fallon: A Department or—

Bob Diamond: Senior people in the Government.

Q76 Michael Fallon: Right. Are you aware that Shriti Vadera today told the BBC, "Of course, LIBOR was a concern"?

Bob Diamond: Someone told me this morning that there was something in the paper about Shriti and LIBOR and I have not had a chance to look at it. So that would be—it's relatively new to me, but I heard a reference this morning.

Q77 Michael Fallon: Prior to this phone call with Paul Tucker, did you have any other discussions with Ministers or officials, or the Bank of England, about the LIBOR?

Bob Diamond: Shriti was very involved in the recapitalisation of the banks in the UK, but keep in mind, in October 2008 I had just moved to New York, following the decision that the board made to acquire the US business of Lehman Brothers, having been in London with Barclays since having joined. I moved back to New York in that September. Secondly, John was the CEO, so we would tend to—John and I worked very well in terms of who had primary responsibility and secondary responsibility, and he was doing most of the communication with Shriti. But I would say that, oftentimes, Shriti would ask to see me as well. I think it was more often John. I think Paul Myners and Shriti would have been people that John had on his list, not Marcus, and I would see them far less than John, but I would see them from time to time, and the time to time was a bit less, having been relocated to New York.

Q78 Michael Fallon: Okay, but I just want to be clear. So there were discussions with Shriti Vadera.

Bob Diamond: Yes.

Q79 Michael Fallon: In the period immediately prior to 29 October.

Bob Diamond: I'm not sure if there were discussions immediately prior. I would think there might have been, but—I'm not saying there weren't, I just don't have any recollection.

Q80 Michael Fallon: You don't remember meeting her. You think it would have been John Varley who met her.

Bob Diamond: Michael, I'm not trying to be evasive. It may have been me.

Q81 Michael Fallon: You said you thought she was involved. You told us she was involved.

Bob Diamond: Well, we weren't being recapitalised. We were doing it privately. Sorry, I can give a better answer. I do think at that time it was primarily being driven by John, yes. So I was hearing from John about his meetings with Shriti. But I also want to be just clear that, from to time to time, I would see her as well. I think it tended to be after this time, more than before this time.

Q82 Michael Fallon: Were you shocked when you wrote this file note down that, in effect, senior figures in the Government, officials or Ministers, might have been asking you to fiddle the LIBOR?

Bob Diamond: I think what is interesting is my reaction to that note was appreciation of Paul Tucker in doing his job. What he was trying to tell me was, "Bob, there are Ministers in Whitehall who are hearing that Barclays is always high. That could lead to the impression that you are not funding yourself." That is why I took so long to walk through it earlier. My first reaction was, "John, you have to get to Whitehall. You have to make sure they know that we are funding fine. It's not wonderfully, it is adequately, but we have an equity issue about to settle in two days. We're raising £6.7 billion of capital when a number of British banks had just taken capital from the Government." This was a very, very pressurised situation, Michael. So, I wouldn't have used the word "shocked", but this is probably a momentous week in the history of Barclays, and the history of the financial markets.

Q83 Michael Fallon: I understand all that, but the effect of what you have written down here is that Ministers or officials were in effect asking you to fiddle your submission.

Bob Diamond: I didn't believe that, no.

Q84 Michael Fallon: What did you think they were trying to do then? I mean, that's what is says here, doesn't it—

Bob Diamond: I have had conversations with—

Michael Fallon: —"it did not need to be the case that we appeared as high as we have recently."

Bob Diamond: That's not the first conversation I had with Paul about relative levels of LIBOR. I wouldn't say it was exactly those words, but Barclays had consistently been at the high end during the financial crisis. I was worried, if I can be perfectly frank. You will see in that note to the file what I said back to John—sorry, to Paul. I am paraphrasing, but I said, "Did you explain to the Ministers the real story, which is that other banks are posting rates below ours and yet are not borrowing money at those levels? It's not that our rates are wrong, but we are worried." And I can't say this, because I didn't know this to be true, but I was worried at looking at that.

Other banks—and this is why, Michael, I have gone to such pains to say this. We had banks with secret loans. We had banks that were being nationalised. We had banks in Germany that were struggling. By the way, I am not talking about Deutsche Bank, but WestLB, I think, were struggling at that time. So there were clearly a number of banks that were posting levels significantly below ours—didn't seem to us to be right. And so, if this is going to lead to an impact on our ability to raise equity in the markets, this is at the very core of banking. This is at the very core of funding. This is a huge issue.

Q85 Michael Fallon: Sure, and you discussed it earlier, you have just told us, with Paul Tucker. Are there notes of those meetings?

Bob Diamond: Not that we have located. Sorry, that sounded unusual. Not that we know of.

Q86 Michael Fallon: Not that you know of.

Okay, could I turn now to the lack of an instruction to Jerry del Missier? You say in your supplementary submission here on page 2 that Jerry del Missier concluded that an instruction had been passed from the Bank not to keep the Libors so high, and therefore passed down the direction to that effect to the submitters. Given that you see del Missier, presumably every day, how did he misconstrue the purpose of this phone call? How did that happen?

Bob Diamond: You read the note, and I think the Chairman said he misconstrued it. I think Jerry has been very honest that there was a misunderstanding, or a miscommunication, between the communication of the Bank of England down, and that he was the person that instructed. I think while I was not aware of that, I do think it is important to put in the context what actually happened. I would refer you back to those same pages in October and November. If you look at the impact on our rate of LIBOR relative to the others, we never moved into the submission territory, so the top four rates are excluded from the submission. It was wrong, it was pressure put on the LIBOR centres, but it did not change the published LIBOR rate. It changed our submission, but we were still one of the excluded rates.

Q87 Michael Fallon: I understand all of that. What I want to know is, how did Jerry del Missier get this wrong, when you had just been talking to him? How did he not believe it was an instruction, either from the Bank or from the public authorities?

Bob Diamond: Michael, with apologies, I can't put myself in Jerry's shoes, with what he said here. The FSA is one of the three regulatory agencies that worked with Barclays for three years. In addition to this report they also did an individual investigation of Jerry, and their conclusion was to clear him: that it was a miscommunication or a misunderstanding. Jerry was cleared by the FSA when they investigated him. I may be using the wrong word, "clear", but you know what I mean. During this time, the FSA, separately from this investigation, investigated Jerry, and said, "It's a miscommunication or a misunderstanding. It's not something that we, the FSA, are going to act on." So, when I was made aware of this I talked to the FSA to confirm that that was their conclusion.

Q88 Michael Fallon: Okay. Can I turn to the Department of Justice appendix A, paragraph 42, which refers to general concern among your employees, that they "attempted to find a solution that would allow Barclays to submit honest rates without standing out from other members of the … Panel, and they expressed the view that Barclays could achieve that goal if other banks submitted honest rates". Were you aware of that argument your submitters were having with the BBA and the FSA and the Bank?

Bob Diamond: I am certainly aware of it now, post the investigation. I think in here—it is appropriate to bring that up now—on page seven, there is a chart of how many times people at Barclays discussed with the FSA, the BBA, the Fed, and the Bank of England, that although we were posting rates, there was a worry that others may not be posting rates at the level where transactions could occur. It is an important part of this overall discussion, particularly in the context of the industry-wide issue, that these were issues that were brought up with the regulators consistently over a number of years. I think one of the reasons they hadn't been apparent in earlier years is that it took the credit crisis to explode the difference between one bank's rates and another bank's rates. For a very long time rates were so tight and there was so much liquidity in the market that if someone was a little bit off it didn't show as much, and it really exacerbated the impact.

Q89 Michael Fallon: But my question was whether you and the senior people were aware that your employees were having this argument?

Bob Diamond: No.

Michael Fallon: It goes on to say: "These communications, however, were not intended and were not understood as disclosures through which Barclays self-reported misconduct to authorities." Should you not have been aware of that?

Bob Diamond: Let me get to that exact spot so that I know where it is. Which page is that, Michael?

Michael Fallon: Paragraph 42, page 18 of appendix A.

Bob Diamond: The Department of Justice, did you say?

Michael Fallon: The Department of Justice statement.

Bob Diamond: I think you'll recall that in one of those discussions—and I know this because of the investigation, but as I said, I was not aware of it at the time—there was a meeting to discuss this between the compliance head at Barclays and the FSA. The report back was to carry on.

Q90 Michael Fallon: But you were not aware of that.

Bob Diamond: No, I was not. The discussion was, as you said, just to make it clear, about being in a pack versus being at the top.

Q91 Chair: Bearing in mind how important that rate was to Barclays, as you said earlier, what does it say about the management culture that you weren't aware of those discussions?

Bob Diamond: Chairman, if I put in context the three things we are dealing with: with the trader misconduct, as soon as that was identified—

Q92 Chair: We are talking about the discussions at the time, to which Michael has just been referring, rather than going all the way back to square one and going all through these three separate episodes. Why, when this got serious, were you unaware?

Bob Diamond: It was not flagged to that level. Part of that was that there were ongoing meetings at a level below that with the regulators.

Q93 Chair: Why not? What was with wrong with Barclays, that something so important was not reported up?

Bob Diamond: There was a feeling that it had been resolved. Was there a general understanding? I want to be sure which question you are asking. The question that there may be some firms that are not reporting levels—

Chair: I think you have answered the question.

Q94 Mr Ruffley: Mr Diamond, on page 3 of the FSA notice it says, "Barclays acted inappropriately in breach of Principle 5 on numerous occasions"—that is principle 5 of the principles of business—"between September 2007 and May 2009 by making LIBOR submissions which took into account concerns over the negative media perception of Barclays' LIBOR submissions." I am going to use the shorthand "lowballing". Okay?

Bob Diamond: Yes.

Q95 Mr Ruffley: Fine, so I do not have to repeat that. In relation to that, the FSA go on to say on page 3, which I am sure is burned in your memory, "Senior management's concerns" about what other banks were doing—perhaps not telling the truth, as Mr Fallon has referred to—"resulted in instructions being given by less senior managers at Barclays to reduce LIBOR submissions in order to avoid negative media comment." That was going on well before 29 October 2008 and your telephone call with Paul Tucker. Is that correct?

Bob Diamond: Yes.

Q96 Mr Ruffley: It has to be, because that is what the FSA reported. Can you tell us when you discovered that this lowballing activity was going on?

Bob Diamond: During the investigation.

Q97 Mr Ruffley: So you did not know it was going on when you spoke to Mr Tucker on 29 October 2008.

Bob Diamond: No. That would have been before the investigation. So I was not aware of it.

Q98 Mr Ruffley: Okay. When did you discover? You say in the course of the investigation. What month approximately?

Bob Diamond: There are two things that happened, David, so I have to go back. Soon after the credit crisis, so into 2009, there was a request from the CFTC to investigate—I might be using the wrong word "investigate"—to do a study.

Mr Ruffley: Investigate will do.

Bob Diamond: It was during that, when both the situation of the credit crisis 2007-08 was part of what I was learning going through the investigations—

Q99 Mr Ruffley: Forgive me, I do not wish to be rude in interrupting, but give me an approximate date when you discovered this lowballing—which is the subject of the FSA notice; that is why you have been fined and that is ultimately one reason you have lost your job, Mr. Diamond—was going on. It is simple question: approximately.

Bob Diamond: The findings of the investigation, other than things I learned as a witness—please, this is important, David, I should be able to answer—came to me four or five days before they were published. I wasn't alone in that but other members of management, because of the conversations we have been having as witnesses, were not over the Chinese wall. My job was to make sure that we had the investigation going on as it was reporting to the board. I think as I explained to the Chairman—

Q100 Mr Ruffley: With respect, for the third time, what month did you discover that the lowballing was going on? Just give me a date.

Bob Diamond: This month.

Q101 Mr Ruffley: This month? As late as this month. It raises the question why on earth you as Chief Executive did not know that this was going on on your watch? You said to an earlier question that you had daily reports on LIBOR.

Bob Diamond: I think this refers to—

Mr Ruffley: We know what it refers to. We are talking about the lowballing and I defined that at the start of this questioning.

Bob Diamond: Let me put it in context. I think that is fair. These are important questions and we should not rush through them. If you look at the period 2007-08, again using the same charts that we all have but without going through them, in almost 90% of the cases in that whole period—

Q102 Mr Ruffley: No, with respect, you have made that point. You have said this many times and it is on the record; we don't need to repeat it, with respect. It was high relative to other banks. The fact remains that the FSA said, notwithstanding the fact that it was high relative to the other banks, that it was still a breach of principle 5. You accept that, don't you?

Bob Diamond: Yes, and—

Q103 Mr Ruffley: Yes, okay. I want to make some progress on this.

Bob Diamond: Can I say one quick comment? That I do agree with you—

Mr Ruffley: Thank you.

Bob Diamond: The reports that came to me daily were the rate of LIBOR, not the relative ratings.

Q104 Mr Ruffley: But why did you not follow up with Mr—appropriately named—del Missier? He got the wrong impression; no one is disputing that. Did you have any discussions with him afterwards, because you copied this to him on 30 October, didn't you?

Bob Diamond: Yes.

Q105 Mr Ruffley: You had no discussions with him about what he had taken away from that copied e-mail, which was your conversation with Paul Tucker.

Bob Diamond: This was not the first time Jerry and I had had discussions—

Q106 Mr Ruffley: No, after he saw it on 30 October.

Bob Diamond: I was not aware that Jerry had a miscommunication or a misunderstanding. Jerry did not say that to me.

Q107 Mr Ruffley: Didn't you discuss with him, after you had copied that e-mail to him, the contents of the Paul Tucker note that you did?

Bob Diamond: As I have said, my main focus in that note was the issue with Whitehall and discussing it with John.

Q108 Mr Ruffley: What did you say to del Missier after you sent that e-mail, which was your account of your discussion with Paul Tucker on 29 October? That is all I am asking. What discussions did you have with Mr del Missier about that?

Bob Diamond: I have no separate recollection other than—

Q109 Mr Ruffley: You do not recall?

Bob Diamond: We would have talked about—

Q110 Mr Ruffley: What did you say after you copied him in on that e-mail? As the FSA makes clear, he had a misunderstanding of what was required of him. You accept that, don't you?

Bob Diamond: Yes.

Q111 Mr Ruffley: So what discussion did you have with him about your conversation with Tucker?

Bob Diamond: Discussion about the contents of the note? That I was unaware that Jerry had the impression that the conversation that I had with Paul, either by note or by conversation, was an instruction, and I was not aware that he did instruct.

Q112 Mr Ruffley: Are you, Mr Diamond, to the best of your knowledge and belief, under investigation in your capacity as former chief executive of Barclays Bank plc? Are you under any civil or criminal investigation by either the FSA, the SEC, the CFTC or the United States Department of Justice?

Bob Diamond: Not that I know of.

Q113 Mr Ruffley: Not to the best of your knowledge and belief. Okay. Do you think a criminal prosecution of a banker—that is to say, a criminal prosecution resulting in a custodial sentence—would be a necessary deterrent for bankers who are either reckless and/or commiters of wrongdoing?

Bob Diamond: I think that that is a decision for the regulator.

Q114 Mr Ruffley: I am asking for your personal view. You have been through the mill in the last few days, and I am sure some people have sympathy for you, Mr Diamond. Given that you were talking about the culture on the "Today" programme lecture—you have had quite a lot to say, haven't you, about the role of banking in our society—do you think the role of banking in our society should include a more punitive regime, such that wrongdoing by people acting recklessly or deliberately to mislead markets should lead to custodial sentences for bankers? It requires a straight yes or no. What do you think?

Bob Diamond: I think that people who do things that they are not supposed to do should be dealt with harshly. I think they should go through due process. We have been through a process ourselves of dealing harshly with people. David, when I got the results of this investigation—it was because of the interviews, as I have said; I did not see a lot of the detail; I was aware there was an investigation and I was broadly aware that things were coming out—and when I read the e-mails from those traders, I got physically ill. It is reprehensible behaviour. If you are asking me should those actions be dealt with—absolutely.

Intermediately, when it became clear during the investigation that there was specific actions, it was dealt with at the time. We did not wait for the end of the investigation. There were times during the investigation when it was less clear, and due process was important. There were times when it was helpful to the investigation for people to be placed on suspension as opposed to terminated. I want to assure you, David, that that behaviour was reprehensible. It was wrong. I am sorry. I am disappointed, and I am also angry. There is absolutely no excuse for the behaviour that was exhibited in those activities and the types of e-mails that were written.

I stand for a lot of people at Barclays who are really, really angry about this. One of my biggest worries is that this is wrong, and I am not happy about it, but we used all the resources that we could to make sure that the people whose behaviour we knew was there were dealt with, with both the regulators in terms of anything that we can do in that regard. This does not represent the Barclays that I know and I love and it does not represent the work of 140,000 people who are working day in and day out for their clients and customers. We have to be very careful, knowing how bad this was, that Barclays also got on top of it. There was no limit to the funds that could be invested for this investigation. We had it report directly to the board, not to the management of the organisation, and we are taking actions on it. It was wrong.

Q115 Mr Ruffley: A final question, Chairman. The Chancellor of the Exchequer, Mr Osborne, has said of your demise, “I think it is the right decision for the country.” Do you agree?

Bob Diamond: I was not aware of that and I think my decision was the right decision for Barclays—

Q116 Mr Ruffley: And for the country, the Chancellor says. Is that something you agree with, Mr Diamond?

Bob Diamond: David, I love Barclays and I am not going to speculate on anything else. I love Barclays, but I also will tell you, for almost 25 years I have been a part of the financial services industry in the UK. I have developed great relationships with regulators at the Bank of England, at the FSA and the Treasury. I have loved my time here. This is a great place to work.

Q117 Chair: I am glad that you can say that on 4 July.

This misunderstanding over your file note led to wrongful under-reporting, which David was just referring to. It is a very unusual file note. Do you understand our scepticism that even though you talked to del Messier every day, you never succeeded in clearing this misunderstanding up?

Bob Diamond: If you have any scepticism about what I am telling you I would be very surprised at that, yes.

Q118 Mr Mudie: I am just a wee bit worried about how you ran that firm and your judgment. It starts with what you said to Mr Fallon. You and John Varley seemed to have a great fear and idea that Alistair Darling was wandering about the country looking for major banks to nationalise.

Bob Diamond: I didn’t think that.

Q119 Mr Mudie: No, you did. You said you had to worry about this because the Government was nationalising banks. Did you really think that Alistair Darling was looking to nationalise Barclays?

Bob Diamond: I did not feel that about the Chancellor at all..

Q120 Mr Mudie: Well that is what you said, though.

Bob Diamond: I was not referring to the Chancellor if I did—apologies.

Q121 Mr Mudie: But let me just ask you the same question as David, but wider. David asked you about phase 3, which was after the conversation on 29 October 2008 when the regulator, or the American regulator, indicated that they were going to do an examination. Is that the first time you heard of any of the activities in phase 2, which was the rig the rate in the public service, or phase 1, which was rig the rate for the benefit of Barclays? Is that the first time you knew anything was going on in your bank of that nature?

Bob Diamond: I think what you are asking—the traders' behaviour was reprehensible—

Q122 Mr Mudie: No, I am just asking when you knew of it.

Bob Diamond: When I knew of it was during the investigation, if that was your question. But I want to correct one thing you said, George. You said that the traders were acting on behalf of Barclays. They were acting on behalf of themselves. It is unclear whether it benefited Barclays but I don't think they had any interest in benefiting Barclays, they were benefiting themselves.

Q123 Mr Mudie: Mr Diamond, if we take phase 1 where they were cheating, and cheating pensioners, pension funds, cheating the ordinary public, cheating investors, you did not know anything about that and yet the regulator can document a trader sitting with a submitter and shouting across the room, "This is the rate we are going to declare. Does anybody have a problem with that?" I don't expect you to look at all the e-mails, but did you run such a firm that nobody in the firm would think that was something the boss should know because this is crucial and goes to the integrity of the bank?

Bob Diamond: Again, George, this was reprehensible behaviour.

Q124 Mr Mudie: I know that. I know that, Mr Diamond. What kind of firm were you running? You are now out of a job because of the attack on the integrity of the bank—that was the behaviour. Was there nobody in your firm, when that was happening openly with traders, who came to you and said, "Bob, you are going to have to watch this because we are going to be in deep trouble"?

Bob Diamond: This first came to light during the investigation.

Mr Mudie: Yes, okay. I hear that.

Bob Diamond: The positive side is that the organisation said, "We have a problem, and we have to fix it."

Q125 Mr Mudie: No, Mr Diamond. From your point of view, that does not wash.

Bob Diamond: Can I finish?

Mr Mudie: No, it does not wash. The real worry you have then, and you should have, is how were you running that firm if the staff did not have the confidence, the interest or the intelligence to come and say to the boss, "Some people are getting up to actions that could destroy the bank"?

Bob Diamond: None of this information, until the investigation, came above the desk supervisor level—

Q126 Mr Mudie: Well, what about phase 2? The FSA report says that in September 2007: "Senior management at high levels within Barclays expressed concerns over this negative publicity." Their concerns "in turn resulted in instructions being given by less senior managers". Who do we describe as the senior management in Barclays, who were concerned about the effect of your boasting a higher figure than your competitor banks and who were worried that a Labour Government of such radical beliefs that they were looking to nationalise banks would pounce on you unless you did something? What senior management were those?

Bob Diamond: My understanding from the report, and the regulator has made the decision—

Q127 Mr Mudie: No. We are sitting here on 4 July and the report has been published. You have now had three years to find out who the hell were these senior management. Would you mind telling us?

Bob Diamond: It was people in the group treasury.

Q128 Mr Mudie: Right. And they would not think to tell you or del Missier?

Bob Diamond: At the time, I wasn't the chief executive, so it would not necessarily have been me.

Q129 Mr Mudie: It was in your field, though.

Bob Diamond: No, it was the group treasury.

Q130 Mr Mudie: Yes, it was in your field, so why didn't they tell you?

Bob Diamond: I do not want to disagree with you on the bigger question, but at the time I was responsible for the investment bank, the asset management business and the wealth business. I am the chief executive today, but your question is right, George. This was wrong behaviour. As soon as it came to light, it was addressed in a significant way, and I think the regulators have said that this is an industry-wide problem. There are other examples of this—

Q131 Mr Mudie: No, no, Mr Diamond. Just let me put this to you, because this is what the ordinary person out there will think. They were doing this, and then, if we move on to phase 3, you have a telephone conversation on 29 October 2008 and your deputy, del Missier, apparently misunderstands what you said, goes off and instructs his people to get the rate down. Why didn't they—you are telling us, which is the point—turn around and say, "But, Jerry, we have been doing it for 18 months"?

Bob Diamond: I'm sorry—

Mr Mudie: "We have been doing it for 18 months."

Bob Diamond: I did not get where that came from. I'm sorry, George. In October 2008, I was not aware of the behaviour going on in 2007—

Mr Mudie: No, you didn't get it. I will go through it again. On 29 October 2008, you had a conversation with Tucker, about which you spoke to del Missier. He misunderstood and, as a result, instructions were given to get the rate down. What I am asking is: what kind of organisation were you running? If he did that, why didn't someone turn around to him, and then he tell you, "Bob, we've been doing that for 18 months. They've been doing it all through 2007"? You did not have to have that conversation. They were doing it. That is what they were doing. It could destroy the bank, and they were doing it. When you had that conversation—

Bob Diamond: Well, the behaviour was wrong. The impact on the actual rate—

Q132 Mr Mudie: We know that the behaviour was wrong, but the management in your place was extremely worrying.

Bob Diamond: Keep in mind, George, that this was not changing LIBOR rates, this was trying to influence where they were in the pack.

Q133 Mr Mudie: Oh yes, this was in the public interest. This was to save you being nationalised. When did John Varley discover all this, because he was the chief executive? If he had been in your seat now, he would have been sacked or he would have resigned. What did he know, because he was doing your job throughout that period? When did he say to you, "Bob, we have a problem here"?

Bob Diamond: John and I were both witnesses and so it was inappropriate during the investigation to discuss either of our investigations. We were both of the mind that we had to put all of our resources behind the investigation to find out what happened and eradicate it. I am sorry to come back to it again, but it is a sign of the culture of Barclays that we were willing to be first, we were willing to be fast and we were willing to come out with it. That does not excuse the behaviour.

Q134 Mr Mudie: You've been well briefed. That is not the point that tells the world about Barclays, that tells the world that two chief executives of Barclays have been running the firm and it has been doing fundamentally wrong things and your senior management have known about it, and they have either been too frightened or too uninterested to tell the chief executive. That is a very worrying thing to come out of the inquiry.

Chair: Is there any response that you want to make to that?

Bob Diamond: I think that the culture has shown that when we have a problem, we get all over it. As soon as it was known, it was dealt with. I think that that is an important thing. There is a reason why an industry-wide problem is coming out now.

Q135 Chair: One wonders how much more noise there has to be in the firm about it, before it does, as you put it, come out. When you have derivatives traders shouting out their positions across the trading floor "to confirm that other traders had no conflicting preference prior to making a request to the Submitters"—that is paragraph 54 of the FSA report—does that not say something about the culture in Barclays?

Bob Diamond: The fact that the supervisors did not raise it further is wrong. I agree.

Q136 Andrea Leadsom: Mr Diamond, you seem to be inhabiting a slightly parallel universe, because you talk about the culture of Barclays as if that is the thing that saved Barclays, but that is the thing that is the problem. Surely you must realise how enraged people are at the criminality. You talk about reprehensible behaviour, but it is actually criminality. There is certainly a lot of talk that you have been unapproachable and that that is part of the reason for this. We also know that the absolute motivation for those traders prior to the financial crisis was their own personal gain, presumably because their personal reward was only linked to the profitability of their book and not to the profitability of the bank. What would you say to that?

Bob Diamond: In terms of the facts—which is the question?

Q137 Andrea Leadsom: Do you live in a parallel universe to the rest of the UK?

Bob Diamond: Andrea, I am just going to say it again. The behaviour, when it came up, was between 2005 and 2007, primarily. There were few instances after that. There have been none since the investigation started. It is wrong, it is reprehensible, it makes me angry, it makes me disappointed, and it puts—particularly coming out in this way—a real stain on an organisation.

Andrea Leadsom: Yes it does.

Bob Diamond: It was 14 traders, Andrea. We have a couple of thousand traders.

Q138 Andrea Leadsom: Can we just go on to that, because I want to focus on the criminality, not the issues of the financial crisis? The CFTC says that it took place between mid-2005 and late 2007, and sporadically afterwards—certainly into 2009. There are 173 separate recorded requests for rate fixing to be done, either up or down, plus 58 for Euribor, 26 for Yen LIBOR and 11 requests coming from ex-Barclays traders who are now at other banks asking Barclays submitters to fix rates on their behalf, so when you say it was limited to a small group of traders, there was clearly a significant amount of collusion going on.

Bob Diamond: They were not looking to fix rates; they were looking to impact the LIBOR submission.

Q139 Andrea Leadsom: Can you answer the question?

Bob Diamond: It’s wrong.

Q140 Andrea Leadsom: So do you agree that this isn’t a tiny issue that is limited to a small group of rogue individuals and that this is actually collusion on something of a grand scale? Time will tell how grand it was. What do you have to say about those individuals and the fact that that they were allowed to be incentivised simply to worry about the profitability of their own book to the extent that ex-Barclays traders, who presumably had some prior loyalties from the rate submitters, were actually able to persuade them to advantage them when they had left the group? What does that say about the culture at the Barclays?

Bob Diamond: The behaviour was appalling. The behaviour was absolutely appalling and as soon as we knew it—it has been eradicated. When we discovered this, some traders had already left and some were removed immediately. When it was clear that there was this behaviour, it was dealt with immediately. I cannot go back and change that, but I can deal with it.

Q141 Andrea Leadsom: And how many have gone to prison?

Bob Diamond: I understand that there will be follow-up criminal investigations on certain individuals.

Q142 Andrea Leadsom: And you would support that?

Bob Diamond: It’s not up to us, but we are certainly not going to stand in the way of it.

Q143 Andrea Leadsom: Let’s go then to the process by which this sort of activity could have been passed up through the bank. Where did you sit during the period of 2005 onwards? Where was your desk? Did you have a desk on the dealing room floor in the fixed-income department at any time during that period?

Bob Diamond: No.

Q144 Andrea Leadsom: So you have never sat there. Did you ever take part in the daily morning meeting on the dealing room?

Bob Diamond: I don’t recall that. If it was—certainly not since probably the late 1990s.

Q145 Andrea Leadsom: And were minutes taken of the morning meeting?

Bob Diamond: I wasn’t a part of the minutes of the morning meeting.

Q146 Andrea Leadsom: But would minutes have been taken?

Bob Diamond: I think it was done over the intercom, so I am not sure that there were minutes. There may have been.

Q147 Andrea Leadsom: I think that is a very important point, because it would be very interesting to see whether the question of “what we would like LIBOR to look like today” was ever discussed over the tannoy system, since it clearly does not seem to have been something that anybody bothered to keep at all secret.

Bob Diamond: If it had been, it would have come out in this investigation. This is a very, very thorough investigation.

Q148 Andrea Leadsom: So if minutes were taken and if such an issue as falsifying LIBOR had come up—

Bob Diamond: I am sure that would have been looked at in the context of the investigation.

Q149 Andrea Leadsom: Okay. That would be interesting to track down.

So whose job would it have been in the dealing room to look for criminal activity? Whose function was it to be looking for criminal activity and how did they do that?

Bob Diamond: That would fall within the area of compliance.

Q150 Andrea Leadsom: And how would compliance go about seeking out evidence of criminal activity within the dealing room?

Bob Diamond: I am not sure that they were looking just for criminal activity, but they were looking for people complying with all the rules and regulations that we follow. There are many ways—from technology, from meetings, from training of people, from reviews of people—so it is quite pervasive.

Q151 Andrea Leadsom: So would compliance sit in the dealing room or not?

Bob Diamond: I am sure that some of the people do.

Q152 Andrea Leadsom: Okay, so they would have been in a position to have picked up on this type of activity going on.

Bob Diamond: They didn't, so that's the only answer.

Q153 Andrea Leadsom: They absolutely never did?

Bob Diamond: I think I have been very clear that this did not get above the supervisor level until we uncovered it. Once we uncovered it, we eradicated it. It was wrong. I have no other way to explain it. We did not get a report above the supervisor of the desk level at any level of senior management in the firm. The second that we did, the investigation was all over it and the behaviour was stopped.

Q154 Andrea Leadsom: Would a desk supervisor know and appreciate that falsifying LIBOR is an offence? Would they have been aware of that at the time?

Bob Diamond: Of course.

Q155 Andrea Leadsom: They would certainly have been aware of that. So desk supervisors themselves would have been entirely complicit in this fraudulent activity.

Bob Diamond: I think there had been cases where desk supervisors were aware and other cases where they were not. In those cases where desk supervisors were aware, they have been dealt with if it was clear. It is done and dealt with. In some cases, we have asked them either to be suspended or to stay on during the investigation with their compensation suspended if we needed them for the investigation or if it wasn't clear and we needed the full due process. In each and every one of those cases, that due process is going on as we speak and it began the moment that the investigation was published and announced.

I don't want to leave any impression about how sorry I am, how angry we are or how disappointed we are. What I am saying in the context of Barclays, which is an amazing institution that I love, is that there are people doing things for their communities and for their customers and clients. There are 140,000 of them, and we are all impacted by these 14 traders, and it is not okay. It is not okay. No one is saying this was okay. It was wrong.

Q156 Andrea Leadsom: The point I am trying to get to is one about the attitude within the bank that allowed those 14 traders to do what they did. Can we just go back to the point about the desk supervisors? You are saying that every desk supervisor would have been clear that falsifying LIBOR was wrong. They would have known that.

Bob Diamond: I would think that would be true, yes.

Q157 Andrea Leadsom: The bank would require them to know that that was wrong.

Bob Diamond: I would think that would be—

Q158 Andrea Leadsom: What action would they be required to take as desk supervisors if they knew that something going on was wrong? What was the procedure at the time if I, as a desk supervisor, knew something was illegal?

Bob Diamond: You keep coming on the same issue. It was wrong. It was not reported up. It should have been reported to compliance and to their supervisors.

Q159 Andrea Leadsom: I am trying to understand what the procedure was that they did not follow, which they should have followed to raise that higher, but it did not happen. What was the actual procedure? Can you point to it in the Barclays compliance manual?

Bob Diamond: I don't have the manual with me, but I am sure it is both compliance and to their boss.

Q160 Andrea Leadsom: So they would have been openly required to raise that to a higher level.

Bob Diamond: Of course.

Q161 Andrea Leadsom: It would be very helpful to know who they should have raised it to, and which part of the Barclays organisation that would have gone through to get to the board.

Bob Diamond: Sorry Andrea, that is very simple. It's compliance.

Q162 Andrea Leadsom: Just through compliance. Not through the treasury committee—

Bob Diamond: Well, also to their boss. But in terms of a supervisor level, the responsibility to inform their boss, but also a responsibility to inform compliance. I think there is no dispute there.

Q163 Andrea Leadsom: Effectively, you would confirm again that this was people not doing their job.

Bob Diamond: In cases where that happened, they were not doing their job and they are being dealt with. I want to make for the Committee to know this again: it has been difficult to have some of these facts out there, because they are bad.

Q164 Andrea Leadsom: Of course. We understand that.

Bob Diamond: It impacts the reputation, it absolutely does—I also want the Committee to understand that there are aspects of this that are industry-wide, but this bad behaviour, I am not blaming on anyone. I blame it on these individuals and they are being dealt with.

Q165 Andrea Leadsom: What steps have you taken now in the light of the clearly and openly fraudulent behaviour to look at other possible areas within the bank that could also be subject to such behaviour?

Bob Diamond: I would say two things. First, I was gratified when I got the final report, very gratified, that the fact that we did not wait to get this report was recognised by the Department of Justice, which says that our systems and controls have dramatically improved—

Q166 Andrea Leadsom: I am sorry. Can you answer the question? Mr Diamond, which other areas within the bank have you looked at where there may have been fraud?

Bob Diamond: It has been many years since this happened, and you can imagine how many different audits. We have a lot of programmes—

Q167 Andrea Leadsom: For example, Mr Diamond, are you concerned that possibly the gilt-edged market has been in some way fixed by Barclays traders? Have you examined whether there was any potential for them to rig market auctions or other rate fixings within financial services? Have you examined those areas?

Bob Diamond: That would be a regular part of our audit cycle, yes.

Q168 Andrea Leadsom: As, indeed, would LIBOR fixing, wouldn't it? That would have been a regular part of your audit cycle, and yet, you didn't spot this for years.

Bob Diamond: Overall, yes.

Q169 Andrea Leadsom: So if you did not spot the LIBOR manipulation for years—

Bob Diamond: But it was the behaviour before the submission was put in.

Q170 Andrea Leadsom: What I am asking you is, in the light of the fact that your audit failed to notice for several years that fraud and corruption was going on under your noses, very openly, have you now looked at other areas of the bank to see whether something like that has been going on there for years, too?

Bob Diamond: Of course.

Q171 Andrea Leadsom: So this could not happen again? There would not be any merit in an inquiry into whether other parts of Barclays have been fraudulently fixing rates?

Bob Diamond: No, the way to do that is to start by going through our processes, controls and audit reports, and if somebody wasn't happy with those and made suggestions that there are other places to look, of course, we would do it, but that is part of the overall process.

Andrea, one of the things looking back—by the way, this is not meant as an excuse. The behaviour was abhorrent, so I am not making an excuse, but context is helpful. It is interesting because David and you have focused so much on the culture, and I understand that because there was such bad behaviour. Many of the rate setters in Barclays have been here for 25 and 30 years. This is a core part of the Barclays UK business that Jesse was asking about earlier. This is not something that was created recently, so many of these people have been in their jobs for quite a while.

The second thing I would say, and it is important to have it in context, is that it was not perceived by the industry to be high risk. Part of that was that for so many years the spreads were all so tight before we saw this that it wasn't considered high risk.

Q172 Andrea Leadsom: You are really just damning the culture even further. You are effectively talking about the level of complacency, that it had been going on for years; people had been there for years.

Bob Diamond: I didn't say it was going on for years. I said that—

Q173 Andrea Leadsom: You said that the people have been there for years.

Bob Diamond: Audits are often based on where we see the risk to be highest. The risk in the area of rate setting exploded during the financial crisis.

Q174 Andrea Leadsom: I am not talking about the financial crisis. I am specifically talking about the criminality in the heydays before the financial crisis. I want to be clear about that. The key point, isn't it, is that individuals were remunerated just to look after No. 1, even to the point that people who left and went to other banks could still persuade someone, for the price of a bottle of Bollinger, to help their book? This was not about the banks; it was about absolute corruption in individuals in Barclays, and it was helped by the attitude within the bank that people were allowed to be remunerated vast sums for the profitability of their own book, regardless of what that did to the bank.

Bob Diamond: I think you take the conclusions way too far, but I am not going to defend the behaviour of that group of people. The behaviour was wrong; their compensation was not based on just their own book. I am not going to disagree with you, Andrea, that behaviour was wrong. It has been eradicated and dealt with. There is no excuse for the behaviour.

Q175 Mr Love: Taking the conversation that we have had so far, do you accept there is something wrong with the culture of the banking industry in this country?

Bob Diamond: Andrew, that is an appropriate question, given the financial crisis, given what I have had to deal with in a short time as chief executive, from the PPI scandal to swap mis-selling with small companies, to the LIBOR scandal. I think there are aspects to the culture of financial services that are changing post financial crisis, and appropriately changing and evolving. Andrea's point—not the bad behaviour, which is wrong at any time, in any age in any business, but the context of people being rewarded more broadly on firm results, for example, is something we do even more of now. I think that—

Q176 Mr Love: Sorry to interrupt, but can all the problems that you have just highlighted, plus the one we are here to discuss, be answered by changes in regulation? Surely something much deeper is the problem with our banking industry. Would you accept that?

Bob Diamond: Andrew, there were problems with the banking industry that led to PPIs, for example. Today, one of the difficult things for bank chief executives is to recognise that there were problems like PPI that happened many years ago over a period of time, but we still have to fix it today. The best we can do is recognise where there those problems were, be completely transparent with the regulators and, internally, understand exactly what the impact was, learn from those mistakes, and if customers or clients were impacted, put it right.

Q177 Mr Love: There is something more you could do. You could join the calls supporting the merit of having an independent investigation into the banking industry in this country. Would you support that?

Bob Diamond: My opinion is that there is a lot of regulation right now and it has heightened tremendously post the crisis. I would worry. We are trying to balance safe and sound banking with jobs and economic growth, and competitiveness in our trade around the world. I do feel that the level of regulation, the level of scrutiny is higher, the focus is higher. If I go back, Andrew, to the period of the crisis, it was difficult that, when regulation was not this strong, other institutions failed, and that has been a burden on the taxpayers and on the industry. We have a better regulatory environment today. I would be in favour of allowing the changes from the tripartite to the Bank of England to take hold before we do something else and add to it.

Q178 Mr Love: But that's merely a regulatory change—superficial. I sympathise and support your call for regulatory change, but there is something much deeper at work here, and that has to be ventilated. I am asking whether you think there will be a positive result for the UK banking industry. Will it re-establish trust and confidence and make you more transparent? Would that benefit the banking industry?

Bob Diamond: I think in many of these things, it is a balance between how it is done, who does it, what the results are, how intrusive it is and is it impacting our ability to do business with our customers. It is hard to give a simple answer.

Q179 Mr Love: When your former chairman, Mr Agius, resigned, he read a statement out that said that the "unacceptable standards of behaviour within the bank have dealt a devastating blow to Barclays' reputation". Do you accept that?

Bob Diamond: As I said in my opening statement, I think the actions that were announced last week, even though this was part of something that was industry-wide and happened many years ago, are a shock. With Barclays being the only bank right now in the frame, it puts even more pressure on Barclays and it has had more impact on its brand and reputation.

The single biggest reason, if I can say that, that I stood down is that I have an obligation to 140,000 people who work extremely hard and who have a great client business. Every one of our businesses in Barclays has been improving market share since the crisis, and I can't let this small group of people impact the tremendous work that the people of Barclays do with their communities and customers.

Q180 Mr Love: We've heard that in the recent past.

On the deferred bonus scheme for senior executives in Barclays bank, anyone who does harm to Barclays' reputation may be asked to forgo some of those deferred bonuses. Do you think that that is appropriate in your circumstances in that you agree that Barclays' reputation has been harmed?

Bob Diamond: That's certainly a question for the board.

Q181 Mr Love: There has been comment and press reports that the board is pressing you to give up future share awards. Is that accurate? Are you minded to look appropriately at its request?

Bob Diamond: Andrew, you may understand this when I say it, but I have not been an avid reader of the press over the last week or so.

Chair: Do you have any more questions, Andrew?

Q182 Mr Love: Just one. You rather took my attention away.

In relation to the final pay-off, as you leave Barclays, do you think that there has to be recognition in that final pay-off of what went wrong in Barclays? What should be done to put it right in the future?

Bob Diamond: The 16 years of my time at Barclays were a time of immense pride. We have an episode here that we have to fix, and I think that those are questions for the board. I have not asked it, nor has that been of interest to me in the last day or so since I resigned. My focus was on preparing for today.

Q183 Mark Garnier: Mr Diamond, a bit earlier you spoke to Mr Norman about your time at CSFB and, prior to that, at Morgan Stanley, when you were in the fixed interest and foreign exchange departments. Did you spend time way back in the 1980s actually on a dealing desk with the P and L, working among all the traders?

Bob Diamond: Yes.

Q184 Mark Garnier: So you are very familiar with the culture of what it is like to be a dealer and a trader?

Bob Diamond: I was a trader, yes.

Q185 Mark Garnier: When you were there, did you ever speculate—I am not for a moment suggesting that you did this—with your colleagues how much life would be easier if it were possible to perhaps adjust the closing price of the gilt at the end of the day, in order to make your P and L look a tiny bit better?

Bob Diamond: This may age me; I guess it does. I wasn't pre-LIBOR, but my trading days were mostly in the US—

Q186 Mark Garnier: It is not about LIBOR. It is just about the sort of culture of idly speculating among your colleagues of an easier way of putting in a better result at the end of the day.

Bob Diamond: Nothing like that, no.

Q187 Mark Garnier: You would never have done it? You never even speculated about it?

Bob Diamond: Speculated about what? That we could cheat it?

Mark Garnier: Yes.

Bob Diamond: No, I didn't.

Mark Garnier: Not even over a glass of beer or something when shooting the breeze?

Bob Diamond: Never. It's an easy question.

Mark Garnier: The reason I ask that is because you then came in and set up Barclays Capital, and you controlled everything in a big organisation—

Bob Diamond: I'm sorry? I did a good job?

Mark Garnier: You did a job.

Bob Diamond: Just looking for a little love, that's all.

Q188 Mark Garnier: During the course of that, you would be establishing reporting lines, compliance lines, audit trails, all that kind of stuff. What I am trying to get to the bottom of, is looking at the compliance risk involved in this. By the time you were setting up Barclays Capital and running it, you would have spent quite a lot of time within this industry, and you would have spent quite a lot of time with these—to be fair—hot-blooded individuals in their late 20s and early 30s who were running these trading desks. What I am trying to get a flavour of is what efforts you made to assess the compliance risk that was inherent in this type of organisation; and how you established a compliance audit trail and a compliance structure that would take into account the risk that you would have assessed, having worked your way up through the ranks?

Bob Diamond: Compliance was taken very seriously. I had it report directly to my chief operating officer, who had all those areas when I was chief executive of Barclays Capital, which is the time I was building it up.

Q189 Mark Garnier: As you were building it, bearing in mind that you were the architect—

Bob Diamond: Building up and growing it. It was very important. Part of the risk management function is to have both the technology and the culture in place so things like this cannot happen. While this did not present a big financial risk, the behaviour of these 14 traders, it was real break to Andrea's question about culture. It was horrible. I mean it. I was finally given all the documents on the weekend before this became public. It took me a while to get them all downloaded, so I was getting frustrated with my technology in getting it downloaded, because I got it over the weekend. As I got it downloaded and started going through it and got to some of the e-mails, I got physically ill. The culture was absolutely opposite to anything that we had wanted. On your point, we have talked about the no jerk rule. We are serious in Barclays, not just Barclays Capital, but Barclays, that when people do not behave, they have to leave. We missed it here. We missed it with 14 people and it is wrong.

Q190 Mark Garnier: Yes, you did. In terms of the problems that you had at Barclays Capital with the individuals trying to fix the LIBOR rate prior to the crisis, it has to be laid at your feet because you were in charge of it and you built that system. So you have to accept responsibility ultimately as a chief executive. What I am also interested in, though, turning this a slightly different way, is looking at how the rate setters work. As I understand it, your 14 traders in the swap department in New York were out there working for you, but the LIBOR submitters are working for Barclays Bank, not Barclays Capital—correct me if I am wrong—and they are based in the London money market desk in London. Is that right?

Bob Diamond: Yes, slightly wrong, but you get the concept right. There were dollar LIBOR traders, some of them in New York, and the rate setters were in London.

Q191 Mark Garnier: This is the point. All the rate setters were working for Barclays bank in London under the umbrella of the London money market desk, is that right?

Bob Diamond: There were on the London money market desk in Barclays Capital at the time.

Q192 Mark Garnier: Barclays Capital, okay. So the London money market desk are responsible for balancing or for ensuring the liquidity of the entire organisation. The balances are coming into the whole bank and the money market traders then go out and make sure that the balance sheet balances, basically. That is what they are doing.

Bob Diamond: The treasury would be doing that, but that is where you were going, which is right. The execution into the markets, when group treasury decides that this is what we have to do to balance our books and they say: “Raise a billion or sell a billion”, they execute that through the money markets.

Q193 Mark Garnier: Okay, so the treasury would work out what the book position is, they would then send an order, the money market desk would then go out and say: “We need to buy in a billion three-month dollars” or whatever on that London money market desk. Although that is an execution function, you also have a P and L book—a profit and loss trading book—on that desk?

Bob Diamond: Separate.

Q194 Mark Garnier: Is there not a large conflict of interest that, on the one hand, you have a group that is effectively executing the requirement of liquidity for the bank, then you also have traders with a P and L book in that department?

Bob Diamond: They were separated. There was no overlap between those. I agree with your point.

Q195 Mark Garnier: But they work in the same room?

. ***Bob Diamond:*** Were they on the same floor? Yes.

Q196 Mark Garnier: So these guys could have been talking rather like we are talking across this table. They could have shouted across to them.

Bob Diamond: Not quite that, but on a number of floors, large floors, yes, in the open.

Q197 Mark Garnier: But as they went to the coffee machine, a guy with a book position could walk past a dealer taking a treasury instruction to go and fill a position.

Bob Diamond: Yes.

Q198 Mark Garnier: And therefore would be able to know what the order book of the bank would be, and then that book trader could potentially use that information to deal against the bank.

Bob Diamond: There was protection of the information. Group treasury had that information. All they would relay down—

Q199 Mark Garnier: Yes, but as you’ve got a dealer sitting on the desk, you have got an order ticket sitting on the desk, in practical terms the guy who is doing the dealing on behalf of treasury will write down the order, say, “Go out and buy half a billion 3 month dollars at best,” and the guy walking past him on the way to the coffee machine could see it, basically, potentially.

Bob Diamond: I’m not sure that was possible, Mark.

Q200 Mark Garnier: But you can see where I am getting at. There is a potential compliance risk. This is a—

Bob Diamond: There is clearly in any trading operation a separation of governance.

Q201 Mark Garnier: Sure, but there is not a separation physically.

Bob Diamond: I don't mean to be holding you up on the questions. Is there something I can—

Q202 Mark Garnier: What I'm going to next is that within that floor, you've got the LIBOR submitters, who are the ones who are actually sitting there, working out exactly what's going on. So they are looking at the requirement of the bank, actually what they are trading at, what they could trade at a certain size—all the kind of stuff that goes into setting the LIBOR rate. And they are within that mass of people doing this trading.

Bob Diamond: They are on the floor, but they are in a separate area. There is some separation, but people can walk by, and—

Q203 Mark Garnier: It's a bit pally, isn't it? When you are thinking about this, you've got some quite important things going on. You have a trading desk running a proprietary position. You have an execution desk, operating on behalf of the treasury department of one of the biggest banks—what have you got, a trillion-pound balance sheet? One and a half trillion?

Bob Diamond: But they're just executing in the market. No one would know the position behind it.

Q204 Mark Garnier: I appreciate that, but this is information. It is all about—

Bob Diamond: Sorry, no, they wouldn't have the information on the positions of the group.

Q205 Mark Garnier: Assuming they are not—

Bob Diamond: I take your point. We have to be careful—

Mark Garnier: Absolutely.

Bob Diamond: —on the information front.

Q206 Mark Garnier: It creates an image of compliance slackness. Of course, the other point about this is we then come back to the LIBOR submitters. This is something which I just haven't been able to reconcile in my head. I can understand a hot-headed idiot sitting in the New York swaps desk, thinking it would be cool to send a bottle of champagne around to the bloke in London and say, "Can you fix LIBOR for me?" But here is the reality: why weren't those LIBOR setters turning round to these traders and saying, "Guys, you can't do this. You're not allowed to do this. Stop sending me e-mails; otherwise I will tell my boss"? Why weren't they doing that?

Bob Diamond: Some were and some weren't.

Q207 Mark Garnier: Who wasn't listening?

Bob Diamond: I am sorry?

Q208 Mark Garnier: Who wasn't listening? You say some were saying this to their bosses.

Bob Diamond: I'm sorry. Some were accepting, some weren't. Not every rate setter was involved in it.

Q209 Mark Garnier: No, sure. But the rate setters were seeing this information coming in, weren't they? They were seeing these e-mails coming in. They were being sent; they were coming in. They were reading them. You would agree that?

Bob Diamond: 177 requests, or whatever the number was.

Q210 Mark Garnier: There aren't examples of 177 reply e-mails saying, "Stop this. You're not allowed to do it." There weren't 177 examples of a LIBOR setter going to his line manager or his compliance officer and saying, "I think we've got a problem"—until 2007, when we then did start to have that. So answer me this question: why were the LIBOR setters not alerting the compliance department or bouncing those requests for rate setting back to those traders in New York?

Bob Diamond: During that period, where this was the traders, they weren't and it's inexcusable.

Q211 Mark Garnier: Now in 2007—you then get evidence in the US submission that in December 2007, a senior LIBOR dealer finally e-mailed his supervisor to say that it was too high; he was asked to move it down. He said: "My worry is that we"—both Barclays and the contributor bank panel—"are being seen to be contributing patently false rates. We are therefore being dishonest by definition and are at risk of damaging our reputation in the market and with the regulators. Can we discuss this please?" The supervisor directed these concerns to the senior compliance officer, a member of senior management. That was in 2007, so this had been going on for two or three years prior to that. It was only then that we started seeing any evidence that these rate setters were actually turning round and saying, "No, you can't do this and we need to do something about it." So what happened after that? What was the process whereby you—would you have heard about this?

Bob Diamond: No. As I said, this came to light to me during the investigation. Now, looking back—Mark, if I am answering the wrong question, just tell me—there was pressure from the group treasury in the '07-'08 period, during the financial crisis, and there was a recognition that what they were trying to do was not to impact LIBOR rates but to get in the pack, if I can use that phrase. That was discussed with the FSA.

Q212 Mark Garnier: Sure, we have gone over that point a great deal. I am trying to get to the problem of why the LIBOR setting system was so flawed. I appreciate that it wasn't under your jurisdiction at that time, because you were running Barclays Capital and this would have been part of—no, this was part of you, wasn't it?

The FSA final notice, paragraph 147, says: "Barclays had no specific systems and controls in place relating to its LIBOR and EURIBOR submissions processes until"—

at the earliest—"December 2009". You did not put in place policies giving clear-cut guidance about the importance of integrity. You did not provide training for submitters about the submissions process. It goes on, in paragraph 148: "Barclays did not believe the submission of LIBOR was an area of significant risk." Yet, this is so fundamentally core—training your staff. My colleague will follow on about that, so I will not stray to much into it, but getting the culture right is not just on the dealing desk, but also on the middle office functions which is, I suspect, where LIBOR rate setting is. I don't understand why that was not the case. The LIBOR setters, I would imagine, are not hot-headed 25 to 35-year-olds who like drinking Bollinger at the weekends. They are probably slightly boffin-like people. So what has gone wrong there? Why has that department got it so fundamentally wrong?

Bob Diamond: I'm trying to disagree with your characterisations of people, but I know what you mean, because the rate setters, in almost each case, had been with Barclays for 25 or 30 years; they were some of our most senior staff. The issue of "not a risk" is complex, because clearly there were risks that no one understood, but usually it's about whether there is financial risk involved. It wasn't seen as an area—since it is the setting of rates—that could create a financial risk. But one of the lessons learned in this is that our systems and controls, with no excuses, were not strong enough. We started right away to get that improved, and that is the area where I do feel good that the Department of Justice has been clear that we have a very strong set of systems and controls in that area now. We didn't wait until the end of the investigation, and it has improved.

Q213 Mark Garnier: I have one last question, and this is giving you the chance to put your side of the story when it comes to the FSA. In 2007-08, your compliance officers did start a dialogue with the FSA. You may not necessarily have submitted all the information, perhaps, that they needed, but do you feel none the less that you were let down by the FSA in terms of the feedback and the advice that you were getting from them, given that you were at this point reporting what was going on?

Bob Diamond: I'm not going to pick out just the FSA, but is there clear evidence throughout our testimony that with the Federal Reserve Bank of New York, the FSA, the Bank of England, and BBA, there were multiple, many-month, many-year conversations initiated by people at Barclays that there was an issue around these issues? If I can say this, Mark, in the context of the financial crisis, there was an exposé in *The Wall Street Journal* over a number of days about LIBOR and the fact that people may not have been reporting right. There was a report from the Federal Reserve Bank of New York that looked at LIBOR during the financial crisis and said that the rates that people borrowed at had reached 36 basis points higher than the rates that they were posting, and that there were other indexes that were better indications.

Q214 Mark Garnier: We know all this. We don't really have time—

Bob Diamond: Let me just finish. We can't sit here and say that no one knew there was an issue around LIBOR in the industry. We can't do it. This wasn't a surprise. Bloomberg carried the story. *The Wall Street Journal* carried the story. The Federal Reserve Bank of New York did a report. And on multiple occasions, Barclays visited with the various regulators to bring these issues to their attention. Obviously, there were some issues.

Q215 Mark Garnier: And they left you high and dry?

Bob Diamond: I'm not going to blame this on anyone else. The behaviour was our fault.

Q216 Chair: But they were asleep at the wheel, weren't they?

Bob Diamond: Chairman, it's very difficult to say yes to that question. But were we disappointed with multiple agencies, and multiple conversations that should have—

Q217 Chair: They really weren't wide awake, were they?

Bob Diamond: There was an issue out there and it should have been dealt with.

Q218 Teresa Pearce: To take you back to something you said earlier—that these traders were not acting on behalf of the bank; they were acting on behalf of themselves—I take from that that they were receiving reward for their actions?

Bob Diamond: Andrea asked a similar question.

Q219 Teresa Pearce: You didn't answer that question.

Bob Diamond: Was their reward based solely on the profitability of their book? Absolutely not. But I have to be clear: that was one of the factors that went into it. It was self-serving. In other words—

Q220 Teresa Pearce: But is that not part of the remuneration package and the appraisal process? Where has the bank fallen down?

Bob Diamond: Absolutely, it is part of it.

Q221 Teresa Pearce: So the senior management at the bank has fallen down in not appraising people properly and actually rewarding them for poor conduct?

Bob Diamond: I wouldn't have said that. I think where we fell down is in not recognising that this behaviour went on until we caught it during the investigation.

Q222 Teresa Pearce: But surely these people were appraised every year.

Bob Diamond: As I said, I think the individual profitability is one of many factors that enter their appraisal. Whether it was for their ego or for their compensation, it is still bad behaviour. Teresa, I am not disagreeing with where you are going at all.

Q223 Teresa Pearce: Mr Diamond, when appraisals are done and evaluations are made, profitability will be looked at. How are ethics looked at? Is that part of an appraisal?

Bob Diamond: Yes. Behaviour is an important part and some of this time we did not realise there was bad behaviour. As soon as we realised, people were fired.

Q224 Teresa Pearce: That is interesting because that takes me to the annual report 2011. Reports are not just financial; they are your public window to the world of the mindset of your organisation. The Barclays plc annual report 2011 is 283 pages long. As you would imagine, it mentions the word "risk", 1,734 times, "profit" 301 times, "bonus" 44 times, "integrity" twice, "corporate values" once and "ethics" not at all. Is that the way you want to present Barclays to the world?

Bob Diamond: I don't want to present it as a—

Teresa Pearce: It's your annual report.

Bob Diamond: You did a wordsearch for certain words.

Teresa Pearce: I read your report.

Bob Diamond: I would like to have a little bit more study before I agreed with that. If the question is: do I believe that ethics, integrity and values are important? You bet. They are a precondition for anything else. I don't care how smart you are or how hard you work. If you don't have values and integrity, it's a non-starter. It is difficult to say in an environment where I am also saying, although I wasn't aware of it at the time, there was bad behaviour. It was not bad behaviour, it was reprehensible.

Q225 Teresa Pearce: You said earlier that it was wrong, reprehensible and it made you physically sick. You have said that this was a small number of traders. What sort of professional development do these traders have, because surely all bank staff have to undergo that continual professional development? What review was ever made of that?

Bob Diamond: What review was made of the training?

Q226 Teresa Pearce: You've got a group of people in the bank who have behaved so badly they made you physically sick, and yet it seems to me—these are people who have been there for 25 years—

Bob Diamond: No, sorry, that was the setters.

Q227 Teresa Pearce: Oh, right. So you have people—a small group of people, you said—who, would they not, be registered with the FSA as fit and proper?

Bob Diamond: I would think so, yes.

Q228 Teresa Pearce: Yes. So do you not as their employer have some responsibility to make sure that they are fit and proper? Would it not be part of your responsibility to make sure that they had undergone proper personal development?

Bob Diamond: Yes.

Q229 Teresa Pearce: So something has gone wrong here.

Bob Diamond: Yes.

Q230 Teresa Pearce: It is my understanding that since November 2011, the FSA requires all fixed-line and mobile phone communications to be recorded, but it was best practice before that. The conversations in October 2008 with the Bank of England—would they have been recorded?

Bob Diamond: Sorry, my conversation with Paul Tucker?

Teresa Pearce: Yes.

Bob Diamond: Not to my knowledge.

Q231 Teresa Pearce: It wouldn't have been recorded?

Bob Diamond: No.

Q232 Teresa Pearce: Was that normal?

Bob Diamond: The call came to me in my office in New York. I am sure during the investigation people would have looked for that, and I have not heard a recording.

Q233 Teresa Pearce: Sometimes they only have to be kept for a certain amount of time; maybe it was not kept for that much longer. Do you regret that, given that one of your famous quotes is, "for me the evidence of culture is how people behave when no one is watching"? If there is no one taping calls, how are they behaving when no one is listening?

Bob Diamond: I still believe that. We had some exceptions to it and they have reproven the point. At least 14 traders did not behave very well when no one was watching, and I agree with you.

Q234 Teresa Pearce: Surely the culture of a bank comes from the top?

Bob Diamond: Yes.

Q235 Teresa Pearce: So is that one of the reasons you have resigned?

Bob Diamond: Not this specific issue. I think what we did in this report, Teresa—listen, it is always hard to explain oneself. I was responsible for Barclays Capital at the time, and I am responsible for Barclays as chief executive—I was going to say today—until yesterday. But that is different from personal culpability for these actions, and I do not feel personal culpability. What I do feel, however, is a strong sense of responsibility—a very strong sense—that, when we find mistakes, we recognise them and are open about them, and some people are open in the organisation. We report them to the regulators and take action against people.

Let me take a second to say I know how angry this can make others, because it made me angry that we had this behaviour, but I am also very proud of Barclays because they did not worry about "How is this going to look?" We worried about "Let's find out exactly what happened."

Q236 Teresa Pearce: It was a voluntary disclosure?

Bob Diamond: Yes, it was a voluntary investigation at the time. We went beyond by bringing in two of the world's most successful and large international law firms and by having a report, independent of management, to the board and the chairman of the board—

Q237 Teresa Pearce: How much did that forensic exercise, which enabled you to make that voluntary disclosure, cost in fees?

Bob Diamond: The amount of money that we have spent on this investigation is about £100 million.

Q238 Teresa Pearce: Do you use a balanced scorecard approach at Barclays?

Bob Diamond: Yes.

Q239 Teresa Pearce: Does ethics appear in the balanced scorecard?

Bob Diamond: I am not sure that is the word used in every balanced scorecard.

Q240 Teresa Pearce: What would you think it might be?

Bob Diamond: Integrity.

Q241 Teresa Pearce: In the last three years, what was actually done in specific actions, not just broad statements, to rectify the cultural wrong that has led us here today?

Bob Diamond: We looked at the area and broke this into three categories. If we take the traders first and foremost, it has been a significant investment in the system and controls in this area. It has been a very serious upgrade of compliance, which had disappointments, and we have a new head of legal and compliance and a number of new people under them throughout the entire organisation as a result of this. And it has been the actions on the individuals. Those would be the three specifics that I give.

With each individual who was involved in this, as I said, if it was clear what the behaviour was and we didn't have to wait for a final investigation, we acted. If it was unclear and we needed to give due process, we are acting now. There were some cases where it was felt that investigation is better served by suspending their compensation but keeping them working and part of the investigation; those people are also being dealt with now.

Q242 Teresa Pearce: In January 2011, you came to this Committee and said "there was a period of remorse and apology for banks. I think that period needs to be over". Do you think it is?

Bob Diamond: Can I tell you it was February, not January, and avoid the question?

Q243 Teresa Pearce: No. It was before my time. I take it that it was the early part of 2011.

Bob Diamond: It did not come across in a way that I meant it, or in a way that was positive. I wish I hadn't said it.

Q244 Teresa Pearce: Would you like to restate what you did mean?

Bob Diamond: You know it's interesting, Teresa. What I said then, and what I wanted to say, is that banks have to be better citizens. It is interesting that I was aware of this investigation; I wasn't aware of the results.

Teresa Pearce: I am aware that you were aware.

Bob Diamond: This is one of the reasons why citizenship was one of my four planks when I became chief executive. We have to evolve the culture of banking—

Q245 Teresa Pearce: It has taken a long time, though. Mr Diamond, you have grown up in banking; you are a career banker. You have been through the trading floor and you have had a meteoric rise, yet you say that the behaviour of these people was so shocking that it made you physically sick. There will be a lot of people listening to this who weren't shocked. They were disappointed and angry, but they weren't shocked. You were so shocked, yet you have spent your life in banks. Surely the culture does not come as a surprise to you.

Bob Diamond: There is no area that I have been responsible for in my career in banking where I would allow this kind of behaviour. It is wrong that it took us too long to find it, but remember this behaviour was primarily in 2005 to 2007—it was pre-financial crisis. I think it is wrong. I'm making no excuses. It was wrong, but I think the actions we took when we found out were all appropriate, including recognising that we would be out ahead of the pack in helping the regulator. We did not think the focus on this would be as intense in terms of potentially harming our brand and reputation. One of the reasons, standing down as chief executive or not, that I thought it was important to come here today is Barclays. Barclays is an amazing place. I am so privileged—

Q246 Chair: Okay, we got that. We really did.

Bob Diamond: Chairman, it is not indicative of these 14 people. That is important to get across.

Q247 Teresa Pearce: Mr Diamond, you have told us repeatedly that you love Barclays. It seems you do not know anything that was going on. It seems you have not even met Barclays, let alone love Barclays. You just keep saying, “I didn’t know” and “I wasn’t aware”.

Bob Diamond: I’m saying more than that. I am talking a lot about what we did about it and how we behaved. I think that’s unfair.

Q248 Chair: You said it is not indicative of Barclays or of these 14 people, but you have also said that, as was just read out, “For me, the evidence of culture is how people behave when no-one is watching.” Nobody at all was watching the trading desk, were they? Not even the compliance officer, who is meant to be sitting there.

Bob Diamond: And the behaviour was bad.

Q249 Chair: So you will forgive us for thinking that there is something more widely wrong with the culture than just 14 rogue traders.

Bob Diamond: That is why I have taken such pains to go into the things that we have done and to put it in context, but I do not think I have taken any moment or second to excuse the behaviour.

Q250 Mr McFadden: Mr Diamond, in the past few years, Barclays has been fined by the FSA for serious failures in systems and controls related to transaction reporting. It has been fined $300 million by the US authorities for knowingly and wilfully violating international sanctions in Cuba, Iran, Libya, Sudan and Burma. It has been fined for client money breaches. It has had to pay £60 million in redress for mis-selling risky investment products to older people. All of that is before the issue that we are talking about today. What do these repeated breaches of the law and regulations say about the culture at Barclays?

Bob Diamond: Many of the cases abused PPI. Cases such as the issue about the US fine were from periods that were quite a while ago. Many of them were in areas I am not as familiar with, because I had not worked in those areas. So I think what I can say is that in each and every one of those cases, we have been open with the authorities and worked to get the solution and the changes in place.

Q251 Mr McFadden: The point I am making is that the LIBOR scandal is not an isolated incident.

Bob Diamond: We have had PPI. We have had a number of them. It is a large organisation—that is no excuse for any of them—but many of these go back quite a period of time. One of the frustrations of keeping our organisation positive today is that in so many of these issues—because it has come out this week and the shock is there—it feels like this is current behaviour as opposed to behaviour that came from quite a while ago. That does not excuse it. That is not meant as an excuse. We still have to go through the process.

Q252 Mr McFadden: You have quite famously pressed for a “One Barclays” culture throughout the organisation. You have said many times today that the quotes and the e-mails that you saw from the traders made you physically sick, and of course you knew nothing about their activities. But is it not the case that your hard charging, high risk, sometimes high reward investment bank culture helps to give rise to the kind of risk taking that sits uneasily with what the public want from banks, which is more boring perhaps, but which is activity around mortgages, lending to small businesses and looking after people's savings?

Bob Diamond: You know how I'm going to answer this, but I think it is a fair question. These issues have been in Barclays Capital around the traders, but in the period from 1997, which Jesse mentioned, when Barclays Capital was formed, to today, it has exited proprietary trading, it has focused on its clients, and it has a track record in the business of compliance, of consistency of earnings and of risk management. This was a horrible experience and bad facts, but look at the track record of Barclays Capital and their consistency of earnings and their management of risk. In areas like foreign exchange, where Barclays was not considered one of the world's top 25 participants in that market when Barclays Capital was formed, today it is No. 1 or No. 2. Some 97% or 98% of the business—something like that—is all electronic and straight through processing, so there is the investment in technology and the investment in customers. It is interesting that, of the fines you mentioned, the sanctions with Iran were something that was done in the UK retail and corporate bank. The PPI, which is £1.3 billion so far, is in retail banking and credit cards. That does not excuse it and it is in past periods. The head of the retail bank today is as angry as you can think, but a lot of this was happening in what you would think of as the boring banking. If we look at the history of the United Kingdom financial services industry through the crisis, the Bank of Scotland failed, Halifax failed, Alliance and Leicester failed and Northern Rock failed, so it was not investment banking that was creating the issues. I worry that people are willing to assume that it is risky behaviour that causes these things, or bad culture.

Q253 Mr McFadden: But isn't it?

Bob Diamond: It is bad culture that causes these things and in a case like this we had bad performance and the people are gone. We had to fix it. It can happen in an investment bank and it can happen in a retail bank as well. We need a strong culture, we need strong systems and controls, but this is not about a business model.

Q254 Mr McFadden: You obviously have not had them with the litany of these regulatory breaches. Is it not a big part of the reason why you have had to resign? You talked in your letter last week to us about changing the culture, but is not the problem that you have come to symbolise a culture that itself needs changing?

Bob Diamond: I don't think so at all. As I have said to you, I think last week I recognised, in spite of this, the support that I had and we had as an executive team to fix this and move on. If you look at the performance of Barclays through the financial crisis and the things that we are doing in our businesses in Africa, the technology that is being developed in Barclaycard, the Pingit technology that is coming to the UK, we are right at the forefront. There are a lot of fantastic things.

Q255 Mr McFadden: Okay, you're investing a lot in technology. Can I take you back to the memo that was released yesterday? It has been hugely covered today.

Bob Diamond: I think that that memo was part of the investigation. I do not think that it was just released yesterday.

Q256 Mr McFadden: Paragraph 112 of the FSA report talks about the period a year before the call with Paul Tucker and says that senior managers at Barclays instructed submitters to put in false information to the LIBOR rate-setting process because of concern over media attention. We are not talking here about rogue traders; we are talking about the financial crisis period, when you were concerned over media attention. That was a full year before the call with Paul Tucker. You accept that that is accurate.

Bob Diamond: Yes.

Q257 Mr McFadden: Again, in paragraph 118, in November 2007, there is a conference call where manager E said of the intended submission—I won't give the full quote—"It's going to cause a…storm." A lower rate was submitted and, again, that was a full year before the Paul Tucker call, wasn't it?

Bob Diamond: Yes.

Q258 Mr McFadden: Paragraph 127 of the FSA report details an instruction by a manager to the Barclays money market desk to give a lower estimate of funding costs to the FSA than the desk originally intended after FSA inquiries, because the, "honest truth" would be a "can of worms". That was in March 2008, seven months before the Paul Tucker call. Am I correct?

Bob Diamond: Yes.

Q259 Mr McFadden: So there is a pattern. After the rogue trader period—you could call it period one—from 2005 to 2007, there is a pattern within the financial crisis where there were consistently dishonest lower rate submissions to LIBOR, detailed in paragraph after paragraph of the FSA report. Do you accept that?

Bob Diamond: Can I put some context on it afterwards?

Q260 Mr McFadden: Do you accept the facts that I have just read out?

Bob Diamond: Yes, and we presented in our documents to you, in the period 2000 and 2008, during the financial crisis, there was pressure being put on LIBOR submissions from the group treasury area to get back in the pack. What I want to point out to you, Pat, is this: if you go back to the same fundamental issue, which is that Barclays met with the four different regulators multiple times, we were consistently towards the high end of submission. In this case—

Q261 Mr McFadden: That is not the question I am asking. I really want to focus on—

Bob Diamond: Let me just finish this and I will come back. I promise that I will answer it directly. What was happening was that the behaviour was wrong. It was inexcusable, but the actions were getting us back into the pack and getting us away from the notoriety and the questions like, "Barclays, why do you always have to be high?" and the potential implications of that. We weren't trying to lower our rates. In about 90% of the cases in that entire 12 or 13-month time frame, Barclays was knocked out and at the high end.

Q262 Mr McFadden: I must dispute that, because each of the paragraphs that I read—paragraphs 112, 118 and 127 of the FSA report—detailed instances where Barclays agreed, against the rules, to put in submissions that were lower than the actual cost of borrowing.

Mr Ruffley: That's right.

Mr McFadden: So you were putting in submissions that were lower. What I really want to get at is, in the context of at least a year of the financial crisis, when you acknowledged that there was a pattern of concern about the media and the image of the bank putting in lower submissions, why did you release this document about the phone call with Paul Tucker yesterday? Why was that released, given that you are acknowledging now that you had been doing this for a year before the phone call?

Bob Diamond: I didn't release the document. It was a package that came from Barclays. I think the document was part of the FSA investigation and the Department of Justice and the CFTC, so I wasn't aware that it was new, but the package came from Barclays. I think this was the package that came yesterday, Chairman.

Chair: Yes.

Q263 Mr McFadden: The point that I am making is about how significant the phone call is given the pattern detailed in paragraph after paragraph of the FSA report, which says that you had been consistently lowballing your submissions in the year running up to the phone call.

Bob Diamond: There are two answers to that. First, the behaviour of the people who were influencing the lower submissions is wrong, and we were clear on that from the beginning. To answer that in another way, what was the importance to me of the call from Paul—not the note, but the call? The call from Paul was alerting me that there was concern in Whitehall about why Barclays rates were high. It was important to me to get to John Varley, whom my note was to, so that he could get in touch with Whitehall and make sure that there wasn't a misunderstanding that Barclays was high or whether other people were posting rates that made us appear to be high and that there wasn't a function of not being able to get funded. The importance of the call to me was the heads-up about the concerns in Whitehall, who felt that since we were the high LIBOR submission, it might mean something more than it meant or something different than it meant.

Q264 John Mann: Before I ask my questions, I just wonder, Mr Diamond, if you could remind me of the three founding principles of the Quakers who set up Barclays?

Bob Diamond: I can't, sir.

Q265 John Mann: I can help, and I could offer to tattoo them on your knuckles if you want, because they are honesty, integrity and plain dealing. That is the ethos of this bank that you have spent two hours telling us is doing so well—in fact, from what you have told us, doing so well that I wondered why you had not received an extra bonus rather than the sack.

You have told us that, as I understand what you are saying, it is right that there is a criminal investigation. Some people among the people that you employed may therefore go to prison. You have told us that other banks were doing the same thing. I understand from what you are saying that you are telling us that you never questioned or analysed the rates that were reported between 2005 and 2008 and that you never discussed at a senior level the possibility of your traders misreporting or misrepresenting. Is that accurate?

Bob Diamond: First, in terms of honesty, integrity and plain dealing, that is how I have behaved in my entire career in the business, so I agree with that, and that doesn't mean that I knew or was aware of the bad behaviour. As soon as I was aware, I did what I could to make sure that it wasn't there, so if there is an inference that Barclays is anything other than interested in honesty—

Q266 John Mann: In 2005 to 2008, you never questioned, you never analysed and you never asked about any kind of misreporting by anyone in the bank. That is the case, isn't it?

Bob Diamond: No one was aware of any misreporting.

Q267 John Mann: You never asked. Did you ever read anything externally of other people suggesting that there might be some misreporting?

Bob Diamond: I think there were, as I said, reports that came out, probably in 2007-08 not 2005-06, but they were on the different issue of whether people were submitting appropriate LIBOR. That is more similar to the issues that we faced during the financial crisis. I was not aware of any reports on traders manipulating the submissions.

Q268 John Mann: You weren't aware of anyone suggesting that? Nobody came to you, not even those people who had refused to act criminally but had been asked to do so? You said to Mr Garnier that some did and some didn't. So even those who had refused to act improperly did not come and tell you—that never got to you during that three-year period?

Bob Diamond: Well, they didn't act improperly.

Q269 John Mann: No, and they didn't tell you. It does appear strange to the outside world that if people are asked to act criminally—and they choose to do so—by externals as well as internals, they don't report that to the senior management. I put it to you that that does look rather incredulous to the outside world. You said, to quote your obligation to complete transparency, that "seeing is believing", but you seem to have seen nothing, known nothing and heard nothing in that three-year period.

Can I ask you about the following academic reports? In 1973, the first report into potential misreporting was written by a US academic called Spence. In the period up to 2007 there were a series of reports, and early in 2007 another group of US academics, led by someone called Ewerhart, produced a precise report into this scandal, alleging that it was going on. It did not name Barclays, but alleged that it was going on in companies like yours. That was then repeated by Abrantes-Metz, who has written extensively on it, and by Michaud and Upper. We have a series of academics who are reporting that this is going on; eventually it gets into *The Wall Street Journal*, and from that, the Fed report something. You're in charge yet you are not seeing this; you are not reading it. I don't understand what you are doing.

Bob Diamond: I think that you've conflated two separate issues. The issue of the traders and their attempts to manipulate submissions was not part of the report by *The Wall Street Journal* or the Federal Reserve report. That was about our institutions—

Q270 John Mann: Yes, I've read it, but I'm also—the academic reports that led up to that were explicit. You have not read them, but you are the man in charge. You're getting paid huge bonuses. You are in charge; people are suggesting impropriety from the outside, and you are not even asking questions internally. People who have been told to act criminally are not coming to you to say that they've been acting criminally. Either you were complicit in what was going on, or you were grossly negligent, or you were grossly incompetent. That is the only conclusion.

Bob Diamond: Sorry, John, I agree—and I have agreed from the beginning—that the behaviour was wrong. It did not get above the supervisory level for a period of time, and as soon as it did we took action. It is hard to give another answer than that. We keep getting the same question asked.

Q271 John Mann: It's not that it's the same question. The point is—

Bob Diamond: We dealt with the activity as soon as we knew about it.

Q272 John Mann: The reason people out there are beginning to agree with me—you said last time, "You don't really like Barclays do you?" Well, I'm in the more favourable group compared with people out there at the moment. What they are thinking is: hang on a minute, you're in charge. You're paid bonuses—£20 million-odd a year in pay and bonuses. You're the man in charge and the buck stops with you. You are telling everyone that we've got to be judged on how we behave when no one's watching, that we've got to have complete transparency and that you can't work with the company—if someone can't work with trust and integrity, they can't be in your team. You are saying all of that. You are getting paid huge bonuses but you haven't seen any of it. You must have been grossly incompetent in your job during that period of time if you weren't complicit in this.

Bob Diamond: So, is there a question?

Q273 John Mann: A good question would be to go back to what you said to this Committee last time you were here. You said, "I think it is clear that, if any banking institution got into trouble, where you look first is at the chief executive." The Chairman asked you, "Okay, but how would you lose out?" You replied, "I would assume I would lose out by both losing my job and losing any shares that I had in the company." Will you, therefore, be forfeiting the unvested shares that you have in the company? That is what you told us you would do in this situation.

Bob Diamond: As I said earlier, that is a discussion with the board; I don't make the decision.

Q274 John Mann: But you are a man who is in favour of consistency. That is what you told us you would do last time you came to the Committee. You have the choice in this. You can take the moral high ground.

Bob Diamond: John, we have been through this a number of times. The investigation of this was market leading. We have a profound issue that is an industry-wide issue, not just a Barclays issue, in terms of LIBOR submissions. I would suggest we wait and see, importantly, what the ramifications of the industry-wide investigation are.

Q275 John Mann: Yes, but the FSA has reported on you and it says that "there were no clear lines of responsibility for systems and controls". You are the man in charge, the man who carries the can, the man who has been paid these huge phenomenal bonuses. You are accepting all the good side—the bonuses—while the people working for you are fiddling the system, potentially some of them going to prison, criminality. You are the man in charge. You tell us, modestly, that in such a situation you would lose your job—which you have—and that you would lose your shares. That is a pretty small price for you to pay. Have you another suggestion of how you can show some contrition to those Barclays staff across the country and the customers who are wondering and e-mailing me in vast numbers saying, "What do I do with my money? Do I take it out of this rotten, thieving bank?" That is what they are asking me. I am asking you, what are you going to do to put the record straight with your personal behaviour? Because you personally are responsible, either by being complicit or by being incompetent.

Bob Diamond: As I said earlier, I accept responsibility, and I also take responsibility for the actions that we have taken to correct the situation, not just at Barclays, but also the way in which we have engaged with three of the largest regulators. You know, John, and I know there was not a personal culpability around the traders, but of course there is a responsibility and I take the full results of the organisation as having been on my watch, absolutely.

Q276 John Mann: My final point is this. You asked earlier for a little love from my colleague, so I will offer you a little love. Frankly, what happens to the shares does nothing for the taxpayer, because it is not going back to the taxpayer. There is nothing for the customer. It goes in at the bank and disappears somewhere. Your bonus each year is equivalent to the amount of money that our largest homelessness charity Shelter has to survive on. That is how much bonus you were getting in every one of these three rotten years—and all the others alongside you. Why don’t you make a proper gesture and put some serious money, and persuade your colleagues to do likewise, so that you can show to the outside world that you do mean business when you say you apologise, and persuade your colleagues including those who have left to do likewise? Then you might get a little love.

Bob Diamond: I told you I feel I have done the responsible thing in how we have handled this since the day we understood. I think the way that the Barclays management team and the culture of the organisation, whether it is PPI or this, is to recognise that when we have a problem, dig deeply to understand the problem and learn our lessons in how we behave going forward. If any of our customers or clients suffered we should make it good.

John Mann: Your reputation as a bank is in tatters worldwide. Someone needs to do something about that.

Q277 John Thurso: If you were an English cricketer, I suspect your name would be Geoffrey Boycott. You have been occupying the crease for two and half hours and I am not sure we are a great deal further forward. Let me try to widen this to the culture and ethics of banking, rather than just Barclays. The question a lot of people want answered is whether this problem over LIBOR is the disease or a symptom of a much deeper and wider malaise. Can I break again by just asking you a few questions, to which I hope you can answer yes or no? First of all, do you consider traders manipulating LIBOR for their own gain to be unethical?

Bob Diamond: Yes.

Q278 John Thurso: Do you think that managers instructing subordinates to put in false quotes is unethical?

Bob Diamond: Yes.

Q279 John Thurso: Do you believe that most submitters at other banks during the crisis were engaged in that kind of behaviour?

Bob Diamond: I can’t judge other banks, John.

Q280 John Thurso: Do you think that selling a complex swap, as was reported on 25 April, to a Turkish shop owner with very little English is ethical?

Bob Diamond: I do not know the situation as well as you do. We looked into each and every incident where a customer claims that there was mis-selling. There are occasions when a product has been sold to someone that probably shouldn't have been, but in the vast majority of cases—over 90% that have gone to the FOS on the issue of derivatives and small businesses—the decisions have been in favour of Barclays. We do work hard—

John Thurso: I understand that from your previous answers.

Bob Diamond: I don't know the specific transaction.

Q281 John Thurso: You can find it on the first page of *The Telegraph* "Business", on 25 April, next to another claim, which was submitted by Graisley Properties. It issued a writ against Barclays for LIBOR-fixing with a £36 million claim, based on the fact that Barclays sold it a 20-year swap against a five-year loan. Would you consider that to be ethical?

Bob Diamond: I do not know enough about the transaction, but I would be happy to look at it, John.

Q282 John Thurso: If you take all those incidents and put them together, it is possible to conclude that there is quite a considerable degree of activity that is at the least questionable and in some cases unethical. How does a bank with the culture that you have tried to put forward to us have these instances in that number happening within the business?

Bob Diamond: You are picking some isolated cases, and there are millions and millions of transactions a day. I know that I, in the last year-and-a-half since I have been chief executive, have been to many of the larger cities in the United Kingdom, visiting small and medium-sized businesses. The feedback and the service that they get from Barclays have been very strong. The amount of business that we are doing in business lending has increased more than any other bank in the United Kingdom in the last year-and-a-half. I feel very confident that our team gets it.

One of the frustrations with a day like today is that you are bringing something unsanctioned, which was so long ago in an area of Barclays that I was not aware of at the time. Bringing it up today is not as relevant. Even the current issue that we announced last week, most of this behaviour was from 2005 to 2007.

Q283 John Thurso: Does your board get a list of legal actions against it?

Bob Diamond: Sure.

Q284 John Thurso: So you will have seen, sitting on the board, a list of the legal actions. So you will know that a writ was issued in April, claiming £36 million for LIBOR-fixing and that that writ exists. That would be something that you would know, as an executive sitting on the main board?

Bob Diamond: I would know the summary of the legal issues that go to the board, yes.

Q285 John Thurso: So you would also know what the legal department was proposing to do about that?

Bob Diamond: Yes.

Q286 John Thurso: Most boards I have sat on get a list of the legal suits and have a note from the company's secretary at the legal department, saying what is going to happen.

How many actions are there outstanding against Barclays for mis-selling of swaps, or is that the only one?

Bob Diamond: John, I am certainly not sure of the number. If there are legal actions, there aren't many. I think the number that went to the FOS over the last year was 40-something; it might have been more than that. I cannot recall. That would not have been in the legal report, because those were handled through the FOS.

Q287 John Thurso: If the LIBOR goes down, the break costs on a swap go up. So a guy borrows, at the start, £2 million, pays interest and has a swap. If LIBOR tanks, he might end up having to pay another £2 million as the break cost on the swap. So that guy is now owing £4 million.

Bob Diamond: The economic impact of the swap in theory would be the same as a fixed loan, and if you take out a fixed loan at a higher interest rate, and rates fall—Do you mean if LIBOR goes down because rates are falling?

Q288 John Thurso: You would then, when your managers went to talk to him about his loan covenant—the value of his loan and the covenant he is given on that—they would then add the outstanding loan plus the new break costs together. That would mean that that person would be outside their covenant.

Bob Diamond: I am not sure of the point.

Q289 John Thurso: The point is that you would then negotiate a new margin. So all across Britain, there are small and medium businesses who, over the last five years, were advised to buy product that has tanked. The net result is that you are able to negotiate—

Bob Diamond: What has tanked, John? I am not sure I understand. Interest rates have dropped.

Q290 John Thurso: What I am saying is that there is a huge cost relating LIBOR, which most of my constituents had never heard of 10 days ago, to what is happening to their businesses. The reason that a lot of small businesses are finding it extraordinarily difficult is because of this swap that they were sold. LIBOR has gone down, causing the cost of the swap to go up, and that is a real cost to British business. The key point is that none of them understood what they were purchasing, but they were obliged to take it because those were the terms and conditions for a loan from the bank, as it was for most banks.

Bob Diamond: And I think there were—errors is the wrong word; I think there were parts of that that I would look at very differently, so let me walk through it.

Was there an impact on businesses in the UK in LIBOR? The issues within Barclays and also all the other banks were around dollar LIBOR, not sterling, and three-month and one-month, as opposed to the longer terms which impact retail products and business products, so it was not in sterling. Even if it was, again, if we remember it is the relative ranking that is being changed. So, the impact on businesses that have taken out fixed loans or swaps—first of all, in theory, the economic impact of that is the same, whether you take a loan and a swap, or a fixed-term loan versus a floating rate loan. The impact on the business—when you say the LIBORs went down, the LIBORs went down because the interest rates went down, because of course, the Bank of England has a low monetary policy interest rate, because of the economy. So if anyone had taken out a fixed-rate loan or a floating rate loan with a swap, they would be out not because of some issue on swaps, but on the issue of overall interest rates, which swaps follow. So I don’t follow you. I do think there has been an impact on businesses who have taken out fixed-rate loans that it would be more economic to take that loan today at a reduced rate.

Q291 John Thurso: The point here is that you and I have just had a conversation lasting three or four minutes that has probably defied most people’s understanding. Our banks are run by people who talk that language. That is investment banking. Our high streets used to be run by people who did not understand it but just lent people money in a sensible way. That is the cultural problem, is it not?

Bob Diamond: I don’t think so, but I think—

Q292 John Thurso: Actually, what we need is not “One Barclays”, but two cultures. If we are going to go on having universal banks, we need a culture that understands the high street, and a culture that understands the City. If we put them together, both will always lose.

Bob Diamond: And I think we have that. I think it can be done and I do not think this is about business models. The people who cover our smaller businesses—Ian Stuart and his team, throughout most of the areas in the north, is very focused on the needs of small businesses. If there is a need to provide a fixed-term loan, where it would not potentially be appropriate from a credit point of view, or you cannot get that loan and a derivative is a good replacement, the job of these bankers is to take them through understanding it. These are not derivatives people necessarily. Someone else will provide that product.

I came back from Africa recently, as you and I have discussed before. In areas like Ghana and Uganda, the country is very, very interested in Barclays bringing more of the sophistication of the investment bank alongside the retail bank, because the small and medium enterprise companies in Ghana, in Kenya and in Botswana have to compete day in, and day out much more with companies coming down from China, from India and from the Middle East and they need access to: how can they hedge out commodity prices; how can they hedge out interest rates? So I think there is a place for an integrated model, and “One Barclays”, by the way, John, is not about our business model. “One Barclays” is about our culture, to go back to the point that Andrea made earlier. The definition that we talk about inside is that “One Barclays” means that every single decision we make is in the best interests of the group, not the individual business, or, as Teresa said, the individual trading position. In order for us to truly believe that, everyone has to behave in that way, so it’s about culture; it’s about values; it’s about integrity; it’s about honesty; and, to use John’s words, it’s about fair dealing. That’s what “One Barclays” is about. But I don’t think the issues that we’re facing are about the business model. I think they’re about bad behaviour, in some cases, and, as you have said, culture.

John Thurso: We may have to continue to beg to disagree.

Bob Diamond: I am happy to continue the conversation.

Q293 Stewart Hosie: Mr Diamond, in your letter to us of 28 June, you spoke about your concerns about the integrity of the LIBOR setting process. You went on to say that various individuals within Barclays had raised these issues externally, including with the BBA, the FSA, the Bank of England and the US Fed. Who at Barclays? At what level did your people raise the LIBOR-setting concerns with these various agencies?

Bob Diamond: I don’t know the exact level of every meeting there is. In one of the letters, Chairman, is there not a discussion of who the people were on both sides—at the Fed, for example, and at Barclays? Did we not provide that information?

Q294 Stewart Hosie: You may have. I'm just asking whether you knew who—the kind of level at which people were raising these concerns initially—

Bob Diamond: It was different. It was often in the group treasury area. In some cases, it came from the compliance area.

Q295 Stewart Hosie: So you have group treasury and compliance people, presumably at a reasonably senior level, making approaches to regulators. Just in terms of that—in terms of the tripartite here—the FSA is named and the Bank of England is named. Did any of your people discuss this with the third leg, with the Treasury, in the UK?

Bob Diamond: Only—I suspect the conversation came up in the general sense that we had talked about earlier, about *The Wall Street Journal* report, the Bloomberg report, which is "Is LIBOR representing the actual borrowing rates all the way through?" as opposed to any specific compliance issues.

Q296 Stewart Hosie: How long had Barclays been concerned, then, about other people rigging LIBOR before they raised these concerns with the regulators?

Bob Diamond: As I said earlier, I think this—I was going to say "exploded", but that's the wrong word. This became a much bigger concern during the financial crisis in '07 and '08. Because rates had been fairly steady, liquidity was plentiful, and all of a sudden, with the financial crisis, we had much more volatility in rates, but we also had—banks were having more difficulty lending to each other, which is the genesis of LIBOR, because of higher capital standards or because, in some banks' case, they had taken Government money. The sum and essence of that was there was far less liquidity in the market, so more of the term borrowing of three months, six months and one year was coming from money funds, from large corporates and from asset management firms, and far less of it was inter-bank dealing, because of the higher levels of capital required or the higher charges on inter-fund dealing. So there was a fundamental change, driven by those two factors.

Q297 Stewart Hosie: So the argument would fundamentally be that because you knew no one was actually lending, some of the rates you were seeing stood out like a sore thumb during the crisis period.

Bob Diamond: Not just that. I think there were—there appeared to be postings that were being made at levels at which people would not have been able to borrow if they were looking to borrow.

Q298 Stewart Hosie: What was the response, then, from the BBA, from the FSA, from the Bank of England and others when you raised concerns that some of the LIBOR rates your competitors had simply didn't appear to be right?

Bob Diamond: You had various levels of acknowledgement, but no action.

Q299 Stewart Hosie: The thing I find odd—forgive me if I'm a little blunt—is that between January 2005 and July 2008, as the FSA has said, initially for trader greed and then as a strategy for reputational risk management, Barclays were doing this, but you didn't appear to know what was happening internally till very late. It strikes me as odd that Barclays people were able to notice other people doing this, submitting rates that were repeatedly wrong, but no one internally was able to identify, even with people shouting across dealing room floors, that it was going on inside the bank. Do you understand why we find that quite difficult to believe?

Bob Diamond: It's why I have been very clear today not to conflate the three issues. There are three issues, the issue with traders on the desk—

Chair: We've been through the three issues.

Bob Diamond: It was wrong.

Q300 Stewart Hosie: I am familiar with the various time frames, the various reasons and the fact that you have apologised and said that it is wrong. I am asking why people at Barclays noticed other people doing this, but were unable, for whatever reason, to recognise that it was going on internally when people are shouting across a dealing room floor that they wanted a particular LIBOR rate to make some cash.

Bob Diamond: It's a completely different issue. What Barclays was talking to the authorities about was the relative ranking of LIBOR rates. What was happening with the traders trying to influence their own firm was very different.

Q301 Stewart Hosie: But it is not a different issue at all. They were submitting rates that were too low, just like Barclays were doing, except Barclays noticed other people doing it, but couldn't notice themselves doing it. What was the flaw in management or the culture that allowed your people to see other banks, but not what was going on in front of their own nose?

Bob Diamond: I think the trader behaviour we have been through time and time again, and I don't want to answer it again. The issue of trying to get back in the pack during the 2007-08 period should have come up to senior management, I agree with you. But it was an attempt to get in the pack, not to impact—to lower LIBOR rates.

Q302 Stewart Hosie: Yes, but it was an attempt to get in the pack so as not to be noticed; to manage the risk, and it was done in such a way that your people were submitting rates—

Bob Diamond: But Stewart, keep in mind that this behaviour was discussed with the FSA. There were discussions, as you know, between compliance and the FSA about the fact that people were trying to get back in the pack rather than be the high or be the next high because of some of these issues. It doesn't excuse what was going on.

Q303 Stewart Hosie: When you say you discussed with the FSA, do you mean during the inquiry, or while it was happening and prior to the investigation?

Bob Diamond: Prior, while it was happening.

Q304 Stewart Hosie: That is tantamount to saying that the FSA sanctioned the submission of overly low rates?

Bob Diamond: It is in the documentation, but I think what the FSA would say is that they had a different interpretation of the meeting, but certainly what came back to Barclays and to the chief operating officer of Barclays Capital was that it was all—it is all documented in the report.

Q305 Stewart Hosie: A final question. When Pat McFadden asked about the phone call with Mr Tucker, you said the concerns were that Whitehall was asking questions. I think your answer—and I am paraphrasing—was that you would have to get John Varley to be in touch with Whitehall. Did he speak to Ministers or officials in the Treasury about that matter?

Bob Diamond: Yes, and I cannot remember the exact conversation I had with John after that, but he did follow up. Remember, we are right in that two-day window before we completed the equity transaction with the Qataris in Abu Dhabi, so it was a quite delicate time.

Q306 Stewart Hosie: I am sure it was, but it would be useful to know who he spoke to and what the nature of that conversation might be at some point if that could be provided.

Bob Diamond: I'll see if we can provide that. I'll see if it's known.

Chair: Michael Fallon and Jesse Norman have quick rejoinders.

Q307 Michael Fallon: You have explained how you alerted John Varley that there might be some misunderstanding in Whitehall of your funding ability. I understand that from the note. What I am not clear about is what is your understanding of what Mr Tucker wanted you to do.

Bob Diamond: I think that was the source of confusion within Barclays, if I can say it. This was not the first conversation I had had with Paul, Jerry and I had had with Paul, or Jerry had had with Paul. Paul's job is to work with people at our level, and, increasingly, Jerry—as president of Barclays Capital and having the markets report up to him—was closer to the activity in the trading desks than I was. So sometimes Paul would go right to Jerry, sometimes to me—

Michael Fallon: Sure, but what is it—

Bob Diamond: I am sorry, I am getting to the point, Michael. The issue was a broad discussion about, "Barclays is high relative to others"—you can see from our numbers going back to the financial crisis, that we had many conversations about this.

Q308 Michael Fallon: We have seen all that, but what is it you thought Mr Tucker wanted you to do?

Bob Diamond: He was pointing out the problem and I was pointing out that the problem was not with Barclays; the problem was with other submissions. Sorry, it is too short-hand to say it.

Q309 Michael Fallon: What did he want you to do about it?

Bob Diamond: As I said, I did not take it as a directive; I took it as either a heads-up that you are high or an annoyance that you are high. What I said there was pretty clear. I am not quoting exactly. I do not have the note in front of me, but I said that the reality is that we at Barclays are reporting the rates at which we borrow. It certainly appeared, given that a number of the institutions that are posting below us have had to take Government money, that they are not posting at those levels, so…

This is the same issue, Michael, that *The Wall Street Journal* had reported on. This is the same issue that Bloomberg had reported on. This is the same issue that the Federal Reserve report after the crisis reported on. So I do not think that anyone should be surprised that these conversations are happening.

Q310 Chair: Bloomberg and *The Wall Street Journal* reporting this; it did not cross your mind to launch an investigation inside your own organisation just to check that this did not mean you too?

Bob Diamond: Of course, we knew our policies and I was under the impression and told that our policies were—

Q311 Chair: Wrongful impression.

Bob Diamond: Yes.

Q312 Chair: It did not occur to you to think, "Well, I've just read this in *The Wall Street Journal*, I'd better check that we're not involved"?

Bob Diamond: It is the right question and, as I said, I reconfirmed our—I do not know if it was *The Wall Street Journal* article—

Q313 Chair: And the answer is, it did not occur to you.

Bob Diamond: I reaffirmed it in that note.

Jesse Norman: On that point, Mr Diamond, I am holding here a Bloomberg press release or article from 29 May 2008, which says "Banks routinely misstated borrowing costs to the British Bankers' Association to avoid the perception they faced difficulty raising funds as credit markets seized up, said Tim Bond, a strategist at Barclays Capital." So in May 2008, you have a strategist in your own organisation who is stating that these borrowing costs have been misstated. That is five months before your conversation with Paul Tucker. How could it be possible that you could not have been aware of it at that time and, indeed, actively under some internal obligation to launch the investigation?

Bob Diamond: Jesse, I am going to say this again, and I think we need some context here: I am not excusing any behaviour—park that for a second, if we can just have a bigger discussion. What I said is, this is not just Barclays, and you keep coming back to Barclays, and I have told you—

Q314 Jesse Norman: Well, that is the institution for which you were responsible.

Bob Diamond: Jesse, can I finish?

Jesse Norman: Sure.

Bob Diamond: You sure? If you go back to these reports, you will see throughout 2007 and 2008, no institution of the 16 banks reporting dollar LIBOR 3-month, which was the issue that people were talking about, was at the higher end more consistently than Barclays. And Barclays was getting questions about why is it always high? And we were saying, "We are high because we are reporting at where we are borrowing money." For someone to say that, there was a big concern that there are virtually no periods where we were low or below and getting our numbers knocked out, so clearly there was an issue there. Along with that, there was pressure being put from the group treasurers we talked about to get back in the pack—don't always be 16, maybe be 15—which is different than impacting the LIBOR rate necessarily.

I need to say again, Jesse: I am not excusing that behaviour, but I think that it is also appropriate for the Committee to step back and say that it was a financial crisis and that there are broader industry implications. All I am saying is, look at the behaviour of Barclays in the context of what we did about it once we found out. I think the management team was decisive and unbending and fast and willing to invest and open, and the regulators applaud them for that. Also look at the fact that there are profound issues here about the operations of LIBOR during the financial crisis and the implications that may have. I applaud the Chancellor, who is going to make the investigation more broad than the industry investigation about LIBOR. I think those are the two conclusions, and I know, Jesse, there was bad behaviour and I can continue to apologise for it. I cannot change it, but it was wrong.

Q315 Jesse Norman: Isn't the danger though that people won't see this in the context of the resolute action you say was taken afterwards—

Bob Diamond: That's our job.

Jesse Norman: —they will see it in the context of the swap scam, PPI, Protium, this Brontos tax evasion transaction that was undertaken in Italy last year with UniCredit. That is the context. They are going to say, "This is a culture that was deeply flawed, deeply corrupted, and that is where it went wrong."

Bob Diamond: I hope we'll look at this in the context of the decisive action that was taken, as a sign of the culture and the willingness that when there is a problem, we are going to get to the bottom of it; and within the context that there is a broader industry issue; and, lastly, I do hope, Jesse, that we will look at this as having been a number of years ago, not today.

Chair: We have been going two and three quarter hours and two more colleagues want to chip in at the finish. I will bring them in but I really am going to finish this in less than three hours. Pat McFadden and then Mark Garnier.

Q316 Mr McFadden: Your final answer to Stewart Hosie implied that your "back in the pack" strategy had been shared with the FSA. Let me read out to you the relevant paragraph from their report on this: "On 5 March 2008, the FSA contacted Barclays' Money Market Desk to ask for information about Barclays' liquidity position. The FSA asked a Submitter to provide information including the rates at which Barclays was currently paying for funding in various maturities. The Submitter intended to state that Barclays was paying for one year funding at 'LIBOR plus twenty [basis points]'. The Submitter discussed this in a telephone conversation with Manager D. Manager D stated 'yeah, I wouldn't go there for the moment […] I would rather we sort of left that at like zero or something'. The Submitter stated 'it's a sad thing really, because, you know, if they're truly trying to do something useful […] it would be nice if they knew', but went on to acknowledge he had been worried about stating the 'honest truth' because it might be a 'can of worms'. Barclays informed the FSA it was paying for one year funding at 'LIBOR flat'." So the truth is Barclays did not share the "back in the pack" strategy with the FSA. When the FSA asked you about it, you lied to them.

Bob Diamond: There were other meetings and there is documentation of that.

Q317 Mr McFadden: Do you accept that paragraph?

Bob Diamond: That is in the FSA findings; of course I do.

Q318 Mark Garnier: My question is very simple. I am very suspicious when people present big charts of certain things. We have distribution of LIBOR submissions for a two-month period and for three months. Reading through the New York report from the New York authorities, they talk about one month, 12 months and they are talking of a period of two or three years. Why have you chosen just to use two months and three months? Presumably you have thought about that. Is that because it has presented things better than anything else?

Bob Diamond: No, Mark. What I thought was presented, and actually it was done yesterday by Barclays, but what I thought was in my pack, which I thought was the same as your pack, was 2007 and 2008. It touched on those second two periods which was about relative rankings. If you don't have those, I am sure Barclays would be happy to send them to you. I have looked at all of them. You can also look at the one month, the 12 month, the story is similar. You can look at other currencies such as sterling and the euro and I would be delighted to have your office get that. The story would be similar and there was no attempt here other than the communications, whether it was from the discussion Paul, Jerry and I had or Paul and I had, was three-month dollar LIBOR and many of the other issues were around three-month dollar LIBOR. That is why we picked that. We can show you sterling as well if that helps.

Q319 Mark Garnier: Well certainly euro and dollar LIBOR and sterling LIBOR over the period would be very helpful for the Committee if that is easy.

Chair: Mr Diamond, we have tried at any rate to lift the veil a little on the culture of Barclays in this inquiry over the last three hours. We have heard about unreported rigging of markets by a group of traders over many years. We have heard about market rigging in the other direction—under-reporting during the financial crisis, which was not reported to the highest levels—and of course we have had the extraordinary situation where Mr del Messier did not seem to communicate very well with you, and does not even seem surprised that he had, as he thought, got an authorisation from you to fiddle the LIBOR returns. These are all sources of considerable concern to this Committee and much more widely. Have you anything you want to add in response to that, as we close?

Bob Diamond: I appreciate the opportunity to come here. Chairman, as you learned today, as soon as the behaviours that we discussed—that the three regulators discussed in these reports—were identified, they were acted on immediately. There was no expense spared. We brought in the right firms, and we have taken firm action. When activities like this are found—the culture I want to see at Barclays is that when there are mistakes, we admit them, we learn from them, we act on them, and that people have consequences.

The second thing I would say in response to that is that it's difficult for Barclays, the firm that I care about so deeply, and whose culture I know, to be isolated on this. I know Barclays and if we have another situation, going forward, we will still act the same way to come out and be the first to correct it. But I worry about the impact of being first, because we were the most co-operative and put the most resources into this, and the reaction outside the industry contact to the one firm that is out first doesn't create great incentives for others to come forward.

At the end of the day, I look forward to the continued investigation around the issues surrounding LIBOR. I think some of those issues are profound, that came out during the credit crisis. If there is anything that Barclays can do to help in that process, I know that they will.

Chair: We all recognise that it has not been an easy few days for you. Certainly it has not been an easy hearing for you. We are very grateful to you for coming this afternoon. Thank you very much indeed.

Bob Diamond: Thank you, Chairman.