



London, 8th of July 2008

To the kind attention of Mrs Angela Knight
Chief Executive of the British Banking Federation
105-108 Old Broad Street
London EC2N 1EX

Dear Angela,

The core membership of Euribor ACI consists of the 15 Euro-in zone member states, representing well over 5.000 individual members. Additionally the associate membership consists of all other countries of the European Union as well as the E.E.A. area adding another 3.000 individual memberships. As such the Association represents to a large degree all money market traders of the European Union.

Within the association the Euribor ACI Money Market and Liquidity Working Group (MMLWG) covers the unsecured markets for a great number of related issues. I understand this group has contributed separately to this consultation.

In response to the consultation paper from the BBA dated June 10th 2008 the following suggestions have been made very much in line with my previous letter showing consistency in our approach to the debate since the meeting organized in Vienna.

The members of Euribor ACI have expressed a clear desire for the continuation of the service provided by the indexes for various currencies in particular the US\$ Libor organized by the BBA as long as your organization is willing to look for a constructive dialogue. This can only be achieved in a much broader arena, similar to previous issues that have been solved by having a wide but manageable group of market practitioners around the table from the European Union as a whole.

The current definition of Libor “the rate at which an individual contributor panel bank could borrow funds, where it to do so by asking for and then accepting inter-bank offers in reasonable market size, just prior to 11.00 London time” is not coherent with market practice. Contributing banks (being market makers) generally are supposed to raise funds at their bids, rather than asking for offers. As such a review of the definition seems to be necessary.

There has been a clear lack of confidence in the monitoring of the Libor fixings. In order to make the scrutiny mechanism more efficient and trustworthy local independent supervisors should carry out periodical controls on contributions.

As stated in your document the US\$ Libor is widely used in the international markets “the most widely referenced interest rate index in the world”. Therefore it is highly surprising that you indicate that the London market place only can be considered in its calculation. We are convinced that its credibility could be greatly reinforced by widening the pool of contributors to a larger panel of banks, including the major continental European ones. These banks trade huge amounts of US\$ in their daily activities either between themselves, with London counterparties and even outside Europe. Furthermore, with the work conducted by the European Commission together with market practitioners the notion of cross-border in Europe is disappearing. Many banks centralize their liquidity and collateral management in one office while having smaller operations in Euro and non-Euro countries. As such a continental bank with a branch in the UK does not always represent the bulk of the activity in the money markets but the “maison mere”. As previously suggested the base of expansion could be the current contribution banks to Euribor, as managed by the EBF. This group of banks is very well balanced from a country and reputation side, thus representing the unsecured money market traders of Europe.

To this regard Euribor ACI would welcome involvement of the European Banking Federation. The Federation to which the BBA belongs could be the best place to work on an acceptable solution that serves the European Union banking system, while also acknowledging the global use of your indexes. Obviously the ownership of the indexes remain with the British Banking Association but the base will be a better representation of the changes we have seen since the creation of the libor fixings in 1985. Let us move on with our vibrant financial markets and adjust when necessary.

The Euribor ACI board representing the National Associations looks forward to a constructive and open dialogue and is willing to work at this project as indicated above without any reservations. We sincerely hope to have contributed in a matter that will solve the current uncertainty and avoid a political debate that will not solve anything.

Sincerely yours

A handwritten signature in black ink, appearing to read "De Vidts", with a long horizontal line extending to the right from the end of the signature.

Godfried De Vidts
President
On behalf of Euribor ACI