<u>Unofficial Transcript</u>

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Call Participants: **and Fabiola Ravazzolo ("FR")**
(New York Federal Reserve Bank)

: Barclays.

FR: Hi, this is Fabiola. Is that

: Fabiola, hi.

FR: How are you?

: Good afternoon to you. Yeah, I'm fine.

FR: Good afternoon. [laughter] Finally Friday.

: Yes, thank goodness.

FR: Are you busy busy, or…

: No, I'm not.

FR: Okay, great. I'm happy because usually I mean, all these, yo-you're always busy so I thought

: [chuckle]

FR: [inaudible] Now it's Friday morning and

: No, it's been a

FR: Let's hope I can…

: Quiet, quiet week, actually.

FR: Yeah. How are you anyway?

: Yeah, I'm fine actually. I'm fine

FR: Are you i-…

: And you, is everything well?

FR: Uh I'm okay. I mean, I think I, I just, you know I manage to relax a little bit in the last two weeks because I mean markets have calmed down a little bit so I feel much better. Me, [laughter] you know we have this intense week over Easter, it was, it was very intense.

: I'm glad you haven't picked up an American accent yet.

FR: No, will never! [laughter]

: [laughter]

FR: I have a, a mix um, a group of friends, so, I have my American friends and I have my European friends.

: Oh right [chuckle] okay.

FR: So, including British, so I'm always uh you know…

: That keeps the balance, right?

FR: Ex-exactly. I try to keep a balance and uh [chuckle]

: Yeah

FR: And then s-still, you know, in um the American English they have a very different, sometimes you have different words.

: Yeah.

FR: So I'm still

: Absolutely.

FR: I'm still stuck on my, on my British words

: [chuckle]

FR: Like apartment, not flat.

: [chuckle] Good.

FR: [laughter]

: Good.

FR: So I'm still not uh, no, no, no, no, I don't want to go on that way.

: [laughter]

FR: I mean, I just I wanted to have an exchange of views of anything new, recent developments, um, and also I have a particular question that I wanted to ask you.

: Yes?

FR: And this is regarding the um BBA, so the British Bank Association, fixing, when they fix the LIBOR for the Dollar, for the Euro, for the Sterling, but, I mean, I knew, I know the panel of the bank is very small, it's sixteen versus for instance the EURIBOR you have the European Banking Federation is forty nine I think?

: Yeah.

FR: But, how reliable is the BBA for instance because you have only sixteen banks? Is it the same framework that the EURIBOR so banks they, they just report the the average rate for what they were lending or is it different?

: You're supposed to publish, um, the rate at which you could borrow money.

FR: Ah, you borrow, not lending?

: No. So you're supposed to, and that's the definition of LIBOR is actually…

FR: But, did it, did it did this change recently, was not lending before?

: Uh, it changed a while back, not, not recently and not, not in response to um

FR: Okay.

: The current financial con-uh-ditions either.

FR: Okay.

: So that there has been a change but it was a while, a while ago.

FR: Was a couple of years ago?

: Yeah, yeah.

FR: Okay.

: But wh-when you actually look, read the actual definitions

FR: Yeah.

: On the screens

FR: Yeah.

: It does actually say that it is where we could um borrow money.

FR: You could

: So where, um…

FR: Borrow, so not necessary where you are borrowing?

: Yeah, because the-the panel is supposed to be, a, um, a panel of prime banks

FR: Yeah.

: And so it’s where those banks, um, decide they, they could actually borrow cash in the interbank market.

FR: Mm hmm.

: Now, um, you know, obviously there has been a lot of speculation about LIBORs and, you know

FR: Mm hmm.

: I’ve read some really interesting articles about them.

FR: Mm hmm.

: Um, and uh, w-, you know we, w-we, we strongly feel it's true to say that

FR: Hmm.

: Dollar, Dollar LIBORs do not reflect where the market is trading which is you know the same as a lot of other people have said.

FR: Mm hmm.

: Um, wha-, it depends on which part of the curve you're looking at.

FR: Mm hmm.

: Um, currently, we would say that in the three months, um, if we as a prime bank had to go in the interbank market and borrow cash, it's probably eight to ten basis points above where LIBOR is fixing.

FR: So you're above ten to fifteen?

: About eight or ten above. If, if, if we had to go in the market and

FR: Yeah.

: Properly borrow money, it would be

FR: Yeah.

: About eight to ten above and in the one year

FR: Okay.

: It would probably be about twenty basis points in the market.

FR: And, and why do you think that there is this, this discrepancy? Is it because banks maybe they are not reporting what they should or is it um…

: Well, let's, let's put it like this and I'm gonna be really frank and honest with you.

FR: No that's why I am asking you [laugher] you know, yeah [inaudible] [laughter]

: You know, you know we, we went through a period where

FR: Hmm.

: We were putting in where we really thought we would be able to borrow cash in the interbank market and it was

FR: Mm hmm.

: Above where everyone else was publishing rates.

FR: Mm hmm.

: And the next thing we knew, there was um, an article in the Financial Times, charting our LIBOR contributions and comparing it with other banks and inferring that this meant that we had a problem raising cash in the interbank market.

FR: Yeah.

: And um, our share price went down.

FR: Yes.

: So it's never supposed to be the prerogative of a, a money market dealer to affect their company share value.

FR: Okay.

: And so we just fit in with the rest of the crowd, if you like.

FR: Okay.

: So, we know that we're not posting um, an honest LIBOR.

FR: Okay.

: And yet and yet we are doing it, because, um, if we didn't do it

FR: Mm hmm.

: It draws, um, unwanted attention on ourselves.

FR: Okay, I got you then.

: And at a time when the market is so um, gossipy, and

FR: Mm hmm.

: Prone to

FR: Mm hmm.

: Speculate about other names

FR: Mm hmm.

: In the market

FR: Mm hmm.

: It's um

FR: Mm hmm.

: Not a useful thing for us as an organization

FR: Mm hmm.

: To do. And in fact, wha-what we've noticed is almost like um, a um, um perverse thing where people that we know that are paying for money actually put in the lowest LIBOR rates.

FR: Okay.

: So it, it's almost to um, you know the ones that need cash the most put in the lowest, lowest rates.

FR: Mm hmm.

: Uh…

FR: And isn't this, uh, now questioning their LIBOR as a benchmarker? The role of, its role as a benchmarker, because you know

: Currently

FR: If uh, if everybody

: Currently, even though

FR: You know, because probably everybody's

; You know…

FR: Knowing about this so…

: Yeah, well that's the thing you know and I'd, I'd have to say, it-it's definitely not, not, not the case in the EURIBOR fixing

FR: Yes

: And it's not

FR: I wanted to ask you, um.

: Really the case in the LI- in the Euro LIBOR fixing.

FR: Okay.

: And, not really the case even in Sterling.

FR: Okay.

: Um, you know, all of our markets, there's not much cash available in term.

FR: Okay.

: You know, that's, that's for sure.

FR: So it's

: And…

FR: Mainly in the Dollar part anyway?

: Yeah, and, you know, I could kind of say, well, you know, um, yesterday for instance I think

FR: Mm hmm.

: We, we put in

FR: Mm hmm.

: For our EURIBOR, you know, London LIBOR and EURIBOR, we put in something like four seventy four or four seventy five, four seventy five

FR: Mm hmm.

: And I think, think we fixed at seventy four and a half

FR: Mm hmm.

: And, on that day we had picked up about five hundred million three month Euros at rates from seventy

FR: Mm hmm.

: To sixty five from various

FR: Mm hmm.

: All, all out of French money market funds.

FR: Mm hmm.

: So, we could have maybe said, you know, that our LIBOR was lower because

FR: Um.

: We were borrowing cash there, but, we, we didn't put it in lower because we knew if we went into the money market brokers and tried to borrow cash it would be at a higher rate.

FR: Okay.

: So, you know, all-all day long there was like one or two guys trying to lend some money at seventy six, seventy five or whatever.

FR: Mm hmm.

: So it was, it-it was a fair reflection seventy four and a half of where

FR: Um.

: You could borrow Euros. But in the Dollar market, people are putting it down below

FR: Mm hmm.

: Where they could actually borrow. Now, you know, it's the same uh thing, some, uh, people might say, well, you know, sss-, this-this bank and this bank called me or this central bank gave me or things like that, but it's not interbank.

FR: Mm hmm.

: You know? And-and it if-if we kept it to a spirit of interbank

FR: Mm hmm.

: Dealers, cut out money market funds, cut out central banks, cut out cor-corporates

FR: Mm hmm.

: And purely based it on the spirit of it, um, interbank dealers, where the money is available, where I would be able to borrow in the interbank market

FR: Mm hmm.

: Without, w-without question it-it would be higher than the rate that I'm actually putting in

FR: Okay.

: For, for Dollars.

FR: I understand.

: Um, not, y-you know, like-like I say, uh, you know it's imp-por-por-portant to say it's not really the same thing in Euros and in Sterling.

FR: Okay, it's only mainly in Dollars.

: In Dollars, yeah.

FR: And because of also this things that is going on and all these crazy issues

: [inaudible]

FR: And it's all part of the Dol-…

: If I wanted to, um, borrow

FR: Mm hmm.

: A lot of

FR: Yeah, Mm hmm.

: Um, three month Dollars

FR: Yeah.

: You know, I need three month

FR: Mm hmm.

: Dollars

FR: Mm hmm.

: Um, it's like, if I start to say that the LIBOR's a lot higher and then people

FR: Mm hmm.

: Start to say, well why is he fixing a lot higher than everyone else? Do-do you know, it's actually going to make it harder for me to borrow that cash?

FR: Yeah. No, no, it's clear, it's clear

: Uhh.

FR: You ma-, it makes sense, uh, now I mean

: So…

FR: You know, I miss a different picture honestly, because I've been mainly focused on the Euro but now on the end of that I completely understand is that you know, I mean, you remember I was in behind EONIA so I remember when we were looking at rate you always question is correct so you just check, uh, so I'm-I'm c-, I'm very suspicious or I'm very curious or, let's say, I find bizarre that who is responsible to com-, to collect this, er, you know, data, they're not questioning banks just to see you know, that the, the level of the rate during the day is very different from

: Yeah.

FR: What i-is fixed.

: I mean, we-we-we've we've all received letters

FR: Mm.

: From the

FR: Yeah.

: British Banking Association

FR: Okay.

: To remind people of their

FR: Yeah.

: Obligation

FR: Yeah, but this is, mm hmm...

: Uh, people, people haven't really…

FR: I understand, I understand

: Um…

FR: You have a business and I completely understand the story, ah, but you know uh, if everybody has got a similar approach so one can also overcome this article on the FT or whatsoever

: Yeah.

FR: It's that you are penalized just because you are honest the way somebody else that is dishonest, eh, you know that's an advantage so that's why I was thinking in that direction but

: Yeah, yeah.

FR: I understand. No, no and I completely understand the, the point is that ah you know, you, you, you always try to, to try and help for everybody you know, and this is so bizarre what is going on in the market

: It is bizarre. Yeah

FR: Because this is creating

: We felt very un-, very

FR: Uncertainties.

: I mean we, it- it's true words to

FR: Um.

: Say we feel very

FR: Yeah.

: Very uncomfortable with it.

FR: I understand now.

: But, the-the position we find ourselves in, is one where we can't really fight it.

FR: I know, I know

: Um.

FR: You have to accept it. I understand

: Yeah.

FR: Despite it's against what you would like to do.

: Yes.

FR: I understand completely

: Yeah.

FR: So that's why, one would like to think how can we avoid the other people do it? You know? Or, or the situation will return and uh, I don't know it's not…

: It's very much a confidence thing still in everything.

FR: Exactly, it's a confidence

: But you-you know, well just gonna say

FR: Hm.

: One, uh, thing

FR: Yeah.

: I-I actually read, read an article from another firm today

FR: Yeah.

: Actually

FR: Yeah.

: Which was actually talking about that it may be understated by twenty to thirty basis points

FR: Yeah.

: But we don't think that that's the case actually, FR: Okay.

: Fab-Fabiola

FR: It's only ten, fifteen, yeah that's [inaudible] mm hmm.

: We, we, we would say in the three months

FR: Yeah.

: Right now it's about eight, eight to ten basis points.

FR: Eight to ten.

: There, there have been a few times when it's been higher

FR: Yeah.

: But right now

FR: Yeah.

: It would be about eight to ten and in the one year

FR: Mm hmm.

: In the one year it's probably about twenty.

FR: Okay, that is good.

: Alright, but you know different, different

FR: Mm hmm.

: Um, gaps on different part of the curve the further out

FR: Yeah.

: You go, you probably find that there's more of a dislocation

FR: Okay, yeah.

: Between where, where you would be able, I-I mean I would say

FR: Mm hmm.

: Barclays Bank would be definitely in with all the prime banks there

FR: Mm hmm.

: And we’re not unusual in any way

FR: Mm hmm.

: If, if, if, if we can’t borrow money at that rate

FR: Mm hmm.

: Then, no one else could really, you know

FR: Mm hmm.

: I mean we, you-you know we speak to everyone that everyone else does, so

FR: Mm hmm.

: Um, yeah it’s, it’s a quite, quite an uncomfortable feeling, and

FR: I understand.

: I don’t know if at some stage LIBORs will correct themselves.

FR: I hope so. [laughter]

: If, if we go on for a period of time it might be

FR: Yeah.

: That we, just find that the market wants to actually say, d’you know what, if we all start, start

FR: Mm hmm.

: To say that LIBORs are higher then

FR: Mm hmm.

: We might have that type of thing and that, that would be good because we need it

FR: Mm hmm.

: To be a transparent fixing.

FR: Yeah, and what about the rest of the money market? I mean, I see that the spreads have remained elevated, I mean, so…

: Yeah. You kn-, y-you know just, just when w-we had, um, the announcement of coordinated liquidity measures on, you know, the eleventh of March,

FR: Yeah.

: And we might have been thinking, well we were thinking at that time that when those, um, new actions settle, that we might see some, um, easing back and then

FR: Mm hmm.

: The first month of a new quarter, April

FR: Hm.

: We would generally associate with that. So we were looking forward

FR: Mm hmm.

: To some easing up of conditions in the market. So and then, you know, I think the first big, big thing that happened was Bear-Bear-Bear Stearns.

FR: Yeah.

: In fact, the real big news was Bear, um, Stearns.

FR: Mm hmm.

: And um, I think that that just made people further entrench on, um, uh, keeping li-liquidity. And so, money market guys have just turned into liquidity managers and um, we don't trade interest rates with, with cash anymore, you know, definitely not. It's t-, you know, totally a liquidity product and so, it-it doesn't matter what the price of these things are, it doesn't matter how tempting the yields are in the term markets, our overriding concern is liquidity

FR: Mm hmm.

: And keeping liquid. And um, I think y-you know, we can definitely see that there's lots of cash available around in the overnight. And, y-y-you know, D-Dollars, Dollars is a good, um, indication where the Fed fund effective rate tends to be very close to Fed funds target every day.

FR: Mm hmm.

: But we tend to have quite a range on where it trades actually.

FR: Mm hmm.

: And, not so much today but it's still a fair premium over still about twenty basis points over.

FR: Mm hmm.

: But, we have had times when it's been like seventy five, you know, been trading up at three, um, percent.

FR: Yeah.

: And, um

FR: Mm hmm.

: You know, there were, there were, but, but the Fed funds effective was always close to target.

FR: Mm hmm.

: And, uh, I-I think it just caused, um, a further kind of nervousness about who's gonna be next to go, etcetera, etcetera. And, uh, uh, I have to say, I think if the, the, we-we're all very thankful to the Fed for the actions that they took

FR: Mm hmm.

: Because when we came into work, um, after that, ya know, we could

FR: Yeah.

: Have been fen-, facing a real

FR: Yeah.

: Uh, you know, real severe problem

FR: Yeah.

: I-I mean it's bad, but it could have been a lot, lot worse.

FR: Yeah, mm hmm.

: Um, and y-y-you know, we're, we're at very elevated spreads, um…

FR: Mm hmm.

: Yeah, I-I think it actually shows up in Sterling more than any other market.

FR: Mm hmm.

: Um…

FR: Exactly, is something different going on there?

: Yeah, they, they feel unloved by the Central Bank.

FR: Okay. Is the Central Bank less active in other words?

: Uh, yes, you know that

FR: Mm hmm.

: I-I know that sounds very

FR: Yeah, mm hmm.

: Unfair on

FR: Mm hmm, mm hmm.

: The Bank, Bank of England, but that's, that's the sentiment in the market.

FR: Okay.

: Ya know, I-I don't

FR: Mm hmm.

: Believe that it's anything like as black and white as that

FR: Yeah.

: You know, but, I-I think what, what, what we sense is like some-, say like the ECB is ready to try everything.

FR: Mm hmm.

: The Fed seems to be, um, very pro-proactive, but we sense that the Bank of England wants to know that something will work before it tries it.

FR: Okay.

: You know

FR: That's really clear.

: Yes.

FR: Mm hmm.

: Yeah, that sort of a feeling and so

FR: Mm hmm.

: Um, we, we did hear from the Bank, Bank of England this, this week. You know they, they increased the long term repo from ten to fifteen billion.

FR: Mm hmm.

: Um, five billion extra, I think people were a bit disappointed that it wasn't more. But, but at the same time the Bank did say that they were going to announce, um, more liquidity measures.

FR: Mm hmm.

: Um, so y-you-you know w-we will hear more from the Bank

FR: Mm hmm.

: Um, but…

FR: Yeah, more than usual, but still in-in comparison

: Yeah.

FR: With the Fed or the ECB…

: Well, y-you know so

FR: [cough]

: Just, just, just at a time we might have been expecting spreads to start narrowing

FR: Mm hmm.

: In again, Bear, uh, Stearns I think was a catalyst for, um, um, y-you know entrenching people's more, um, pessimistic views and on the liquidity side of it and things, things have definitely worsened since that day. Um, and, and, now th-the real sort of focus for everyone is the June quarter end, the half year, and, um, that, that seems to be a real sort of barrier in the money markets where, um, you know, lenders of liquidity don't seem to want to cross over that so whether it was Sterling, Dollars or Euros there's not much cash available, um, past the June quarter end. And, on the other side of the same tra-trade is that

FR: Mm hmm.

: There seems to be a lot of demand for cash there.

FR: Mm hmm.

And y-you know you can really notice that in the Sterling market where, um, we had, um, a creep up in three months LIBOR up to six-six percent and then when people think that the Bank of England was ready to cut interest rates, it was pretty much an expected cut. Um, the bidders for cash pull-pull-pulled away for a few days just to see if they would get money cheaper so we saw LIBOR come down to not five ninety two.

FR: Mm hmm.

: Then they cut twenty five and LIBOR is actually five ninety two still, because

FR: Mm hmm.

: Because now the takers of cash are back in the market and so it actually feels like LIBOR wants to go higher.

FR: Mm hmm.

: Um, so, wh-, uh, an even wider LIBOR OIS spread there, and, y-you know the worrying thing is that the June LIBOR OIS spreads are all rather high.

FR: Mm hmm.

: Um, you know up at about, um, eighty six in Sterling and, um, um, seventy five in Europe and I think it’s about seventy one in the U.S.

FR: Mm hmm.

: Market.

FR: Mm hmm.

: So, at, that’s a high level for some-, you know, for two months forward

FR: Mm hmm.

: Where usually we're a bit more optimistic that things will narrow, so

FR: Mm hmm.

: Now I think that, that reflects, uh, y-you know quite a pessimistic outlook in the markets currently.

FR: Mm hmm, mm hmm. I understand. [sighs] Any suggestion for us?

: Um, you know, I think what we will probably see is y-y-you know

FR: Mm hmm.

: You know, the last

FR: L-looking forward, you know, yeah.

: Well, well the last Dollar um TAF the demand for that

FR: Yeah.

: LIBOR plus ten etcetera so I think people kind of figure that the um Fed will probably provide more liquidity through the Dollar TAFs.

FR: Okay.

: I think, we, looking at the term securities lending facility

FR: Yeah.

: Probably we're thinking it's not as effective as we would've liked, and

FR: Okay.

: We think that the um, underbidding yesterday there

FR: Yeah.

: The under sub-sub-

FR: Yeah.

: Subscription, y-you know, obviously wasn't anything to do with re-relaxed funding but it was more that people didn't have enough of that type of collateral to put into

FR: Okay.

: The operation. You know the Dollar TAF is

FR: Yeah.

: Wider and so that there wasn't enough collateral there. So, um, if there's some way that that can be made a bit more effective and if there's more money av-available at the TAFs that, that in itself will be useful.

FR: So you advice, um, more at the TAF then?

: Yeah, I think

FR: Okay.

: I-I think we could do with seventy five in both actually.

FR: Okay.

: So quite a big jump I know but when you look at

FR: Okay.

: The demand

FR: Mm hmm.

: For them…

FR: Okay.

: You know that would, you know I would rather see that a Dollar TAF

FR: Yeah.

: Um was um pretty near, you know if it was seventy five billion and now only

FR: Yeah.

: Received seventy five or if they received only sixty.

FR: Mm hmm.

Because what-what-what would actually happen then is everyone would start-start to say funding pressures must've eased

FR: Yeah.

: And things would, confidence can come back quite quickly into these markets and so,

FR: I understand.

: But when-when we see that the demand is so high for this it actually

FR: Mm hmm.

: Kind of scares people off the other way around.

FR: Okay.

: So yeah, large-larger size of the Dollar TAFs and if there's something that can be done to um, make the um, term securities lending facility a bit more effective, I think

FR: Mm hmm.

: That, that, th-those two things in themselves will be good.

FR: Like what?

: Ah…

FR: W-w-h-how can we make them…

: Well you see the-the-the tr-trouble is

FR: Mm hmm.

: Fabiola, that

FR: Yeah.

: Really w-w-when, when people are sort of saying we haven't got enough of the type of assets

FR: Yes.

: That we can put into there

FR: Yeah.

: I think what they're really sort of saying is please, please can you sort of widen it even further and

FR: Okay.

: Let us put in some

FR: Okay.

: Of the things that we could put into the Dollar

FR: Yeah.

: TAF.

FR: So wider list of collateral [inaudible] the TAF.

: Yeah, a wider list of collateral but then

FR: Okay.

: I guess there needs to be negotiations about what sort of margin for that, etcetera.

FR: I know,

: Ah…

FR: But uh, you know, for me is al-already important to know about this and um

: Yeah.

FR: You know…

: I think those are the type

FR: Mm hmm.

: Of um

FR: Mm hmm.

: Things you know, and

FR: Mm hmm.

: Y-you know the other um thing that I-I-I think we find a lot of comfort from on the mon- money markets

FR: Mm hmm.

: Is seeing overnight rates close to their policy rates.

FR: Okay, stab-more, more stability.

: Yeah. Y-you know…

FR: In other words you are able to price term funds and all these Fed fund rates and all these [inaudible]

: Absolutely because then things like the EONIA derivatives market

FR: Yup, mm hmm.

: We don't start to see their bid offer spreads widen out, you know, at least

FR: Yup.

: We see some segments of our market performing well

FR: Yup.

: And then at least off the back of that we can trade LIBOR OIS spreads and things, things like that

FR: Yup.

: But imagine if um overnight Euros started to get very dis-

FR: Yup.

: Dis-dislocated then…

FR: Like do you remember September?

: Yeah, then the EONIA

FR: Mm hmm.

: Guys are gonna say we can't trade this, we can't hedge this

FR: Yup.

: Prices get wa-

FR: Yup.

: You y-y-you know so it's, it's im-por-por-portant to anchor the overnight

FR: Yup.

And more, more, more so, so that we kind of know that at least this is one point of the curve where we can k-kind of have an understanding of where rates will trade.

FR: Mm hmm.

: Um you know we can make our own decision about policy rates but at least we know where they will trade you know relative to policy and we can you know square ourselves up every day there as well

FR: Mm hmm.

: And that money is liquid etcetera so, so that, and more U.S. Dollars I, I would say are the are the two things that um, we kind of asked for but, but again I-I'm putting myself in a position where, and I hear this from all the other banks, it seems like us banks are just always asking Central Banks for things, and y-you know I think ultimately y-y-you know banks need to sit-sit down as well

FR: Mm hmm.

: And we need to kind of clear the table with ea- with each other, you know. We need to um make this uh, I know people use all these words like transparency and that they're all very easy to, to say but fundamentally at the bottom of this for instance at Barclays Bank, what is stopping him lending three month Euros to

FR: Yup.

: Uh, BNP Paribas Paris at four seventy, instead of lending him some overnight money at three ninety?

FR: Okay. Mm hmm.

: You know there's eighty basis points there. Um, I, I need to be able to start trading back for interest rate views and compelling interest rate views and yield and carry rather than just on the liquidity side, you know, and I need to sort of start feeling to myself, um, I don't need to be scared of all my interbank counterparties. I don't need to fear that if I lend them some three month money that during those three months they might go broke and not be able to pay me back, you know?

FR: Mm hmm. Mm hmm.

: Um, so I-I kind of need to um, kind of educ-educate myself a little bit you know, I need to get, get my own confidence levels up as well, Fa-Fabiola.

FR: I know, me too. I, ma- you know now I need to go back and study again and thinking about and understand the whole thing, I mean. So far I try to be behind the reprice action and running behind but now that the situation has come down I really need to think about, really

: Yeah

FR: And, and im-improve myself and educate myself as well because there are so many new things and

: I know

FR: I don't know.

: And all these new things about LIBORs. You know

FR: We need to think about how

: [inaudible]

FR: Everything is linked, you know.

: Yeah, I-I'm almost thinking instead of LIBORs we should do LI-LIBIDs.

FR: LIBIDs?

: Yeah.

FR: Okay.

: Not, not call them LIBORs and then people could just say I lend money at whatever spread you want above that, but there'd be like a LIBID reference rate or something you know

FR: Okay.

: Of that sort of nature, well why not call it the bid, bid, bid side of the market instead of the offer?

FR: Yeah, okay.

: And then you know the lending spread is individual to each particular bank.

FR: Yeah. Yeah.

: Um, but y-y-you know also um t-talking to a lot of our sales people here, the ones that speak to hedge, um, funds, it's, it's quite obvious that a lot of the bigger more active sort of trading derivatives guys in London like Brevin Howard and Blue, uh, Crest that they've been um, um on the bandwagon if you like of looking for higher LIBOR OIS spreads and they're still trading that, that way round of it and they're, they're quite aggressive in the market. So you know, the kind of big traders at a lot of firms are all trading on the negative side of it and, um, you know I have to say, I look at Europe and where our spreads, spreads are now and the June IMM and I've actually been trying to go the other way round to that. Actually trying to sort of, um, you know, trade that spreads are very high, that June is two, two months away, um, that um, I'm more hopeful that you know continued Central Bank liquidity measures and time will y-y-you know bring back some confidence to the market. So, I was actually y-y-you know trying to sort of come to a view to trade the other way round, but that's certainly not typical of, um, market flows. You know, the market wants to trade for wider LIBOR OIS spreads.

FR: Okay. Okay, I think like usual we had an interesting conversation.

: Yeah it's ni- always nice to talk to you anyway Fabiola.

FR: Yeah I always enjoy as well. [laughter] It was very useful and uh, I have a lot of things that I'm looking after so I hope I have a better picture so I call you again maybe next week to discuss

: Okay.

FR: Something more because I really try to understand als- all the links across already from a markets segments, repo market and the different players and where things are different in Europe respect to the U.S., where there can be a problem. I'm going to really try to educate myself and you know be, o-open mind.

: Yeah.

FR: You know?

: No, it’s unfortunate [inaudible]

FR: Here it’s very important what is going on and we really try to understand e-everything, we just don’t focus on the Dollar market we focus on everything to really try to see any behavior that we, we really can get some information, we can, we can really understand more.

: Yeah no it’s interesting

FR: Mm hmm.

: If you put all the little bits of the picture together

FR: Yeah.

: You know hopefully it makes some, some

FR: So

: More sense.

FR: I’m here with chance to try to build up things. [laughter]

: Yeah. [laughter]

FR: So maybe I call another time next week when you’re quieter

: Yeah sure, sure.

FR: Not on a busy day.

: Fabiola any uh time, okay?

FR: Mm hmm. Okay thanks a lot.

: You have a nice weekend.

FR: Have a great weekend. Bye .

: See ya, bye.