

# Book Review: The Fix: How Bankers Lied, Cheated and Colluded to Rig the World's Most Important Number by Liam Vaughan and Gavin Finch

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*In **The Fix: How Bankers Lied, Cheated and Colluded to Rig the World's Most Important Number**, Liam Vaughan and Gavin Finch offer a multidimensional journalistic account of the Libor scandal, drawing on interviews, court testimony and legal evidence. With the book unravelling like an engaging detective story and full of lively portraits of key characters, Maria Zhivitskaya only wishes that it was longer.*

**The Fix: How Bankers Lied, Cheated and Colluded to Rig the World's Most Important Number**. Liam Vaughan and Gavin Finch. Wiley. 2017.

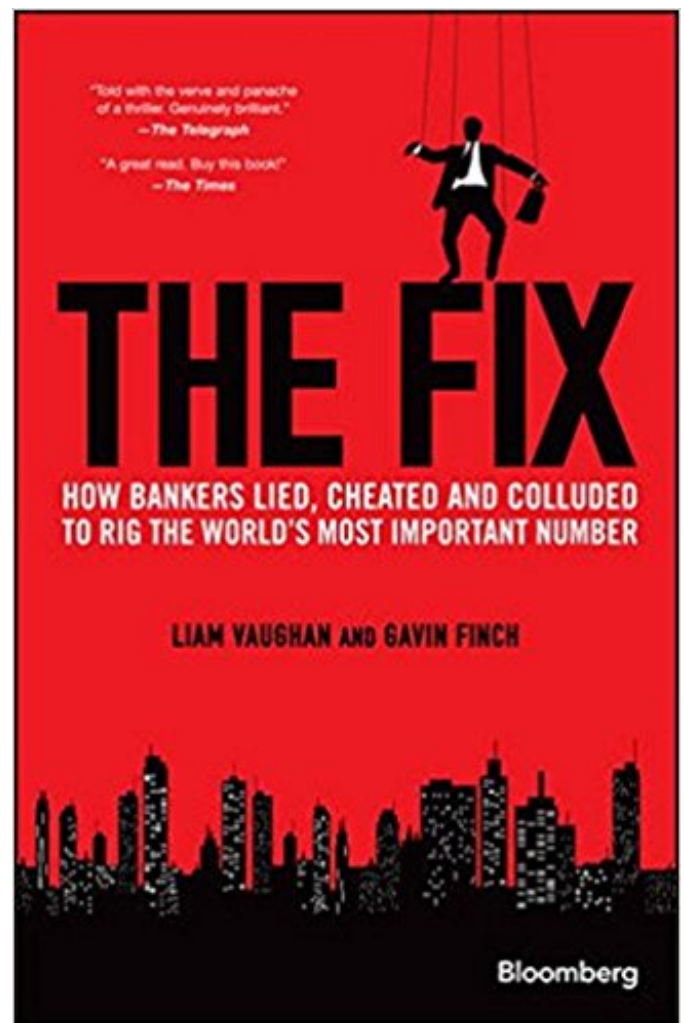
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*The Fix: How Bankers Lied, Cheated and Colluded to Rig the World's Most Important Number*, written like an engagingly unravelling detective story, is definitely worth the read. It offers a multidimensional journalistic account of the Libor scandal, based on hundreds of interviews with brokers and bankers, court testimony and legal evidence. To set the tone and to leave no ambiguity about the authors' attitudes, the introduction painfully explains:

*In an era defined by the breakdown in trust between banks and the rest of society, Libor has confirmed people's worst suspicions about the financial system: That behind closed doors, shrouded in complexity and protected by weak and complicit regulators, armies of bankers are gleefully spending their days screwing us over.*

Despite mentioning that 'the reality is both more complex and shocking' than the above quote might suggest, the authors do not reach into a lot of depth about what makes it so, except that the traders and brokers described in it are real people with families and interests, rather than 'one-dimensional hucksters unburdened by conscience'.

*The Fix* empathetically shows what life might be like as a trader – with spiking cortisol, serotonin and testosterone caused by hundreds of conversations a day that make 'millions of dollars change hands with several keystrokes', resulting in profit ebbs and flows. Explanations of financial terms such as Libor, basis rate, market making and credit default swaps are sprinkled throughout the chapters in a way that does not distract from the plot, but instead makes reading the book very accessible.



Libor is a benchmark interest rate that the world's leading banks charge each other for short-term loans. Frequently described as 'the world's most important number', Libor is at the root of many financial instruments and has a fundamental impact on the world economy:

*Libor was in everything, from mortgages in Alabama to business loans in Liverpool to the hundreds of billions of dollars in bailout money given to banks during the financial crisis [...] Despite its pervasiveness, the benchmark resided in a kind of regulatory wasteland.*

Between December 2007 and January 2013, traders at UBS, Bank of America, Citigroup, JP Morgan, Barclays and the Royal Bank of Scotland (RBS) were found to have been involved in manipulating benchmark exchange rates, which later led to [six banks being fined \\$5.6bn over the rigging of foreign exchange markets](#) as well as to changes in the regulation of Libor.



**Image Credit: (Christopher Dombres CC0)**

The British Bankers' Association, Financial Services Authority and the Bank of England all get unfavourable mentions due to their (lack of) involvement in the oversight of Libor. However, in addition to explaining the broader regulatory setting and presenting a thorough historic account preceding the unravelling of the Libor scandal, the book delves into a very personal story revolving around Thomas Alexander William Hayes, one of the key people found to have rigged Libor.

Born in 1979, Hayes studied maths and engineering, interned in UBS and joined RBS after graduating. Teasingly called 'Tommy Chocolate' by his colleagues due to his preference for hot chocolate over alcohol, Hayes is described as a meticulous man who identified the formula for his personal success as 'make money and everything else will follow'. Yet another ruthless, selfish, money-driven banker, one might conclude and shut the book; but I appreciated the authors alluding to the hard work that went into his career as he 'read voraciously about markets, options-pricing models, interest rate curves, and other financial arcana'.

Hayes used his network of brokers and traders to nudge Libor in a direction that would bring him vast returns – to

demonstrate, in 2008, one basis point (1/100<sup>th</sup> of 1 per cent) move in Libor had a US\$750,000 effect on his bottom line. Helpfully supporting the notion that all people involved in finance are crooks was the evidence produced by some of the brokers and traders during the litigation, explaining that while they told Hayes they would help influence Libor, they were in fact lying to him about how much they were helping. 'It's called broking,' one explained, and was acquitted.

I enjoyed the narrative style of the book, which involves telling the reader the role that individuals played in the Libor saga, followed by the verdicts given during their trials years later. Spoiler alert – most were acquitted. Hayes was arrested in 2012 and sentenced to fourteen years in jail in 2015. His managers claimed they did not know he was dishonestly manipulating Libor, which later contributed to the current Senior Managers Regime, whereby senior managers can now be personally held accountable for any misconduct that falls within their areas of responsibility.

*The Fix* is unlikely to astound you – whether you are someone who thinks bankers are largely selfish, overpaid, champagne-drinking young men or that they are mathematically-gifted, hard-working people operating beyond the caricature we are all by now so used to seeing in the media. The book does a fantastic job at explaining some of the challenges of being a trader, and at making Hayes seem like a real person, not a purely 'evil banker'. However, the fact that he cheated the system and ended up serving a long prison sentence makes it hard to empathise with him. The book is written in a very factual way, and a layer of judgment that – probably intentionally – is also missing from the narrative is whether his managers and others who helped him deserved to be convicted too.

With just 174 pages full of lively portraits of various people involved in different aspects of Libor, ranging from its fixing to the investigation that followed, I felt I was intimately witnessing the whole story in a very well-rounded manner, and wished the book was longer.

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**Maria Zhivitskaya** completed a [PhD in Risk Management](#) from the LSE Accounting Department in 2015, worked for Goldman Sachs afterwards, and currently works for Prudential plc. [Read more by Maria Zhivitskaya](#).

*Note: This review gives the views of the author, and not the position of the LSE Review of Books blog, or of the London School of Economics.*

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