Foreword

During the last five years, the world has witnessed economic crime committed by financial institutions and international corporations on a gargantuan scale. Senior bank executives have presided over the reckless, and on occasions, fraudulent acquisition and sale of mortgage-backed securities, publicly representing to financial market participants that these investments were safe whilst privately betting on their collapse. In some instances the executives recklessly turned a blind eye to the fact that these securities had been falsely valued; in others they were clueless about the nature of the securities which had been established and how they were traded. Meanwhile, at the same time as these securities were traded, the LIBOR interest rate was rigged by many of the lending banks, with the avowed intention of presenting a false picture to the financial markets as well as boosting their corporate profits – and profit bonuses. As if this malign activity were not enough, at least one leading bank added to its range of criminality by assisting customers to dishonestly evade huge amounts of tax which were desperately needed by government to support public services. And there is yet more. Instances of large-scale insider dealing and other forms of market manipulation have come to light involving a number of different and unconnected financial markets participants. Cases of fraud and corruption involving some of the largest companies in the world abound. Then, there are the money laundering and breach of sanctions cases involving the top clearing banks. The offending conduct has been international in its nature, taking place on financial markets stretching from New York through London and Frankfurt to Tokyo and Hong Kong. When coupled with the astonishing degree of incompetence and irresponsibility demonstrated by those in control of leading financial institutions and some of the largest listed companies, as well as their professional advisers on occasions, the combined effect has been to bring the global economy to its knees.

It is quite extraordinary that, against this background, there have been so few criminal prosecutions. In the United States the prosecutors have secured a small number of large scalps in insider dealing cases, but on both sides of the Atlantic the criminal process has left the senior bankers unscathed. Instead, a handful of rogue traders have been prosecuted. It is

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difficult to feel too much sympathy for the rogue traders, although that said, it is worth remembering that their conduct did not take place in a vacuum. Weak corporate governance procedures, associated with a warped conception of market place ethics, formed the backdrop to their activities. In addition, when compared with the United States, it is surprising that there has been little academic research activity in Britain on the topic of economic crime and its broader impact. In particular, the relationship between economic crime and the global financial crisis remains largely unexplored. There has been a paucity of academic work on how the international community should best respond to the challenges which financial crime presents.

Professor Nicholas Ryder, a noted legal academic with expertise in the areas of economic crime and banking regulation, has performed an invaluable service to both the academic and practitioner community by producing a monograph which addresses these core issues. His analysis of the factors which contributed to the global financial crisis and the role played by economic crime is most instructive, and it is followed by an insightful critique of the legislative, regulatory and enforcement responses in the United States and United Kingdom. Professor Ryder's conclusions are powerful, and those responsible for policing the financial markets should take careful note of the recommendations which he puts forward. I unhesitatingly commend this excellent work.

Jonathan Fisher QC
Devereux Chambers and London School of Economics

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