After the 2008 financial crisis, people were keen to witness rich bankers get imprisoned for their careless playing with the financial system. However, when things crumble, is it reasonable to blame the people who work in finance, or instead, should we look at how the banking system is made?

These book chapters attempt to answer this question by narrating the story of Tom Hayes, the notorious math wiz who ended up taking the blame for the banking industry's careless routine of manipulating interest rates. From the innocent lunch-money deals he did while he was a teenager to him being labeled the criminal architect of the "Spider Network," Hayes's tale is explained in detail. You'll discover how the most popular benchmark interest rate index in the world – Libor – was manipulated, and what occurs when traders, brokers, and bank executives are left to work without oversight.

Chapter 1 - Tom Hayes was regularly good with numbers; however, he had a problem of having friends.

While Tom Hayes was a child, he had a skill for numbers and understood how to make a favorable bid.

When he was only 15 years in 1995 and living in Winchester, England, Hayes loaned his lunch money to a friend with a 50% interest rate. This method, for every five pounds he lent out, Hayes would make himself a good profit of £2.50.

During that time, he also became captivated with the slot machines that could be seen at local pubs. Hayes would observe one closely, work out its pattern and regularly jump in at the right time to win a payout.

Unfortunately, Hayes's mathematical skill appeared to come at a price, as he was usually bad at socializing and having friends.

While he was still in school, Hayes was bullied for his propensity to dress pretty neatly, with a sharp blazer.

Not having a positive male role model didn't help things as well. After his father cheated on his mom, Hayes's father left the picture really early on.

However, the reason why Hayes found it difficult to have relationships was probably a mild and undiagnosed type of Asperger's.

All the signs were there: He could concentrate extremely on difficult mathematical problems, he constantly avoided making eye contact and anytime he was angry, he could suddenly become angry.

What consoled Hayes was the reliable reasoning of math, and that's what enticed him toward the stock market.

In 1999, while he was studying at the University of Nottingham, he did his internship at UBS, an international Swiss bank, and learned about some of the fundamentals of trading stocks and bonds. From that point, Hayes became addicted to the complex world of finance and, during the fall of 2001, got a permanent job at the Royal Bank of Scotland.

Chapter 2 - Libor is confusing; however, a vital interest rate that is closely related to the derivatives market.

While Hayes was working at the Bank of Scotland, he was introduced to the complex business of Libor, a standard benchmark that means London Interbank Offered Rate and is utilized globally to know the interest rates.

Libor is chosen by having specific banks around London frequently submit the average rate of what it charges for them to loan money. This rate basically shows the price other banks are charging them to ask for a loan. As soon as these numbers are submitted, they're averaged out, and this number becomes the existing Libor, which is used as a benchmark for different kinds of purposes, like mortgages.

Different countries have their own kind of Libor. For instance, Japan has the Tibor – the Tokyo Interbank Offered Rate – for the yen. However, Libor is common globally since the British pound is seen to be one of the stronger and more steady currencies.

However, here's the issue: there was no system to confirm that submissions from banks were correct. For over a long time, banks were basically trusted to submit the accurate numbers.

Now, by the time Tom Hayes started his job in finance, Libor was already the go-to benchmark for banks globally. If you were to check the fine print of any loan or credit card payment, you'd probably notice a reference to Libor.

Also, Hayes discovered that Libor played a huge role in derivatives, which were becoming gradually common at the beginning of the 2000s. A derivative is similar to a contract that banks can make use of to protect themselves against particular risks –like a client not making mortgage payments.

Therefore, when Bank A sets up a mortgage, they can also purchase a derivative that states that Bank B will pay Bank A if the customer avoids that mortgage.

However, this is only one form of derivative. Banks were making derivatives as insurance for only about every deal they were doing. And Libor fixed the value of a lot of these derivatives.

Chapter 3 - Hayes joined a big international group that manipulated Libor rates to profit the holdings of their banks.

Tom Hayes immediately became a success in finance. It was as if his brain was effortlessly made for this type of job. Therefore, in 2006, after earning millions for the Royal Bank of Scotland, he agreed on a proposal to work for UBS; however, this time around for their branch in Japan.

Hayes kept proving how sound his math abilities could be put to work in the difficult world of derivatives and changing interest rates. He became really skilled at operating the Japanese market that his name was shortly known as a dominant force in that aspect of the financial world.

Hayes first got to know that it was possible to earn money by manipulating Libor when he was at UBS. All Hayes needed to do was contact his brokers, who would then persuade the people in control of submitting their bank's Libor detail to change the numbers.

After a few early successes, a normal procedure occurred:

Firstly, Hayes would purchase a bunch of derivatives with values that would rise according to the rising or falling of Libor. And, according to the type he purchased; after he would then call his brokers to mention what he required: for Libor to either go up or down.

Tom's brokers then made contact with the Libor submitters, usually proposing them a nice compensation, with directions on which mode they wanted Libor to go. Most times, the submitters accepted the proposal, and everyone got a payday, particularly UBS.

But, unknown to Hayes, the brokers had discovered an important shortcut for this system:

Darrell Read, one of the brokers, knew a person called Colin Goodman who had another common spreadsheet, which he would share with other bankers each morning. One of the attributes of Goodman's spreadsheet was a recommended Libor rate for submitters to put in.

Therefore, all Read needed to do make Hayes and UBS glad was persuade Goodman to enter the correct number in his spreadsheet. It turns out that Libor submitters, just like many people, are very lazy. And instead of checking every of the bank's transactions to calculate the average cost of borrowing money, they basically copied Goodman's idea.

Chapter 4 - Complicit banks allowed Libor manipulation for so many years, making Hayes and UBS get millions.

How did Hayes reward the brokers for proceeding with his plan? One of his go-to compensations was a switch trade.

This comprises of two traders, Trader A and Trader B, using a broker to create a million-dollar trade. First, the trade would go in one path, from A to B, and then a short moment after the same trade would be made in the opposite path, from B to A.

By doing this, everything between the traders evens out, and the broker gets two huge commissions with value worth thousands of dollars.

A different more outdated compensation was basically wining and dining the brokers and traders.

Now, it's significant to understand that Libor manipulation was supported by bank executives.

Mike Pieri, Hayes's boss at UBS, knew very well of the Libor manipulation. Hayes is assured that if Pieri had ever told him to end the manipulation Libor, he would have stopped. However, UBS was getting obscene sums of money all thanks to Hayes' schemes; therefore, obviously, Pieri never made the least attempt to stop him.

In 2007, Hayes was getting as much as $10 million daily for UBS; in 2009 only, he brought in well more than $100 million. The executives at UBS were delighted, and they attempted to make Hayes happy by assuring him big year-end rewards.

However, UBS wasn't just the only bank that had an interest in Hayes. Also, Citibank executives were aware of his skill for making money. After UBS failed to give him their bonus promises, Citibank successfully enticed Hayes to its team, with the aid of a $3-million signing bonus.

And just like before, Chris Cecere, Hayes's new Citibank boss, was willing to provide Hayes anything he required to do his magic with Libor manipulation. Citibank CEO, Brian McCappin, also assisted by calling on Hayes's behalf in order for other banks to cooperate.

Chapter 5 - After Hayes left the toxic surroundings of UBS, people started to see Libor's weird behavior.

At this stage of the story, it’s essential to bear in mind Hayes’s nature and know that, since he was a kid, he’d had a difficult time making friends.

This issue persisted into his adult life, and you one could even say it became worse in the banks’ aggressive macho work surroundings, where people easily curse up a storm and love giving each other offensive nicknames.

Hayes worked together bankers with nicknames such as “Abbo,” the short form of “Aboriginal,” and “Derka Derka” – a nickname for a Kazakhstan-born trader talking about the manner in which the Arab people in the movie South Park talk.

Hayes attempted to fit into this aggressive environment and, just like every other person, he would scream offensiveness at people when he didn’t have his way. However, everybody in the office became tired of Hayes’s intensity and felt that he always took the screaming and temper tantrums really extreme.

What they weren’t aware of was that Hayes’s had an undiagnosed case of Asperger's that was a major factor in his social ineptitude. Therefore, everybody at UBS was really excited when he left for Citibank in 2009 – everyone, namely, apart from his boss Mike Pieri, who felt extremely betrayed by Hayes and was yearning for payback.

As Hayes’s misfortune would have it, Pieri was close to getting a perfect means to get his payback. After the financial crisis of 2008, the public was keen to witness rich bankers jailed, and investigators were starting to discover that something strange was happening with Libor.

One of the first people to notice Libor’s odd fluctuations was Wall Street Journal reporter Carrick Mollenkamp. He noticed that although the banks had recently gone through a financial crisis, and some had even stated bankruptcy, the Libor didn’t show any of this.

Therefore, it didn’t take time before the US Commodity Futures Trading Commission (CFTC), the Justice Department and Britain’s Serious Fraud Office investigated this. During March of 2009, these agencies sent out formal investigations to a lot of banks, as well as one to UBS. Mike Pieri replied to it.

Chapter 6 - Tom Hayes, confused and annoyed, was betrayed by his previous colleagues as the Libor inspection concluded.

Before Hayes clocked 30, Britain's Barclays bank replied to the CFTC's demand for information with direct proof of their Libor meddling. Wishing for mercy by being as cooperative as possible, Barclays even added a recording of two Barclays workers discussing getting executive orders to manipulate Libor.

It was now getting obvious that the banking industry was home to a new form of extensive, systemic misconduct. And, as more proof appeared, Hayes saw himself being selected as the one "bad apple" behind all of it.

Particularly damning was the evidence of his previous colleagues and spiteful boss from UBS, who gave investigators adequate information to get Hayes arrested on the 11th of December 2012.

By now Hayes had already married his wife Sarah Tighe, and had a young son; the intensifying case against him really depressed him that one day he went to Sarah and asked her, with seriousness, "Wouldn't it be good for you and our son if I were dead?"

This suicidal though is a good illustration of how Hayes's coldly logical mind functioned; however, he ultimately stopped thinking about it and got the strength to defend himself. When the time came to enter a plea, Hayes had chosen that he didn't wish for his son to grow up seeing him as a criminal. Therefore, he replied with a strong, "Not guilty."

His defense attorney gave a correct depiction of Hayes as an outcome of a corrupt system that had been manipulating Libor for a long time before he discovered how to do it alone. In spite of what his previous colleagues might say, he wasn't a criminal architect.

The word "Spider Network" was created by Chris Cecere, Hayes's boss at Citibank, who joined the chorus of people that were avoiding blame by picking Hayes as the mastermind of a huge criminal web.

The defense even clarified that Asperger's had made Hayes very susceptible to the power used by his bosses. When the people responsible backed his efforts with the Libor appeals, Hayes had felt there was no need to doubt it.

Chapter 7 - Tom Hayes was a scapegoat for a corrupt and damaged banking system.

The fact is, it took so much of a cooperative and coordinated struggle for Libor rates to be modified in order for Hayes and others to gain from them. Although Tom Hayes may have been a hard person to work with, the Libor scandal occurred due to the reason that the financial system taught brokers and traders to gain money however they could.

However, when it was time for judgment, Hayes was the only person to be sentenced, and it wasn't a less punishment: he was sentenced to 14 years in prison.

Sarah Tighe cried when the verdict was passed, and whereas the time of writing an appeal is in the works, she as well as her son doesn't have a husband and father.

Unluckily, there were a lot of people who didn't like the difficult and annoying Hayes's, and all of them were really eager to lie and blame him instead of taking a part of the blame themselves.

In England, six other brokers, as well as Hayes's longtime broker, Darryl Read, were also on trial; however, none of them was found guilty; they all blamed Hayes and described him as a monster.

Meanwhile, in England, at the University of Southampton, at least a person is attempting to mend the corrupt and damaged system from the ground up, by teaching future traders.

Alex Stenfors is a previous trader who was sacked from Merrill Lynch as a result of his connection in the Libor manipulation. Similar to Hayes, he considered himself a part of a system that completely encourages lying, cheating and stealing in order to succeed. Therefore, he used his joblessness as an opportunity to get a Ph.D. at the University of London. His thesis was an explanation of what truly occurred during the Libor scandal.

Presently, Stenfors teaches a class that comprises of a presentation he names “Risk Takers, Rogue Traders, and Rotten Apples.” It deals with the sociology behind the callous and ethically corrupt financial system.

But, even after Stenfors has used an hour describing the ugly truths of high finance, he still gets approached by young men keen to jump into this unethical abyss and get rich fast.

The Spider Network: The Wild Story of a Math Genius, a Gang of Backstabbing Bankers, and One of the Greatest Scams in Financial History by David Enrich Book Review

After the incident of the financial crisis of 2008, people wished to witness rich bankers locked up for the means they carelessly played with the financial system. Although it’s correct that traders and brokers make high-stakes risks with millions of other people’s dollars, we don’t have to essentially blame only them alone. They’re the result of a system directed by selfish CEOs and banking executives who support this act and compensate it with indecent bonuses. If we have any aim of preventing another crisis, we shouldn’t be imprisoning people such as Tom Hayes. We have to find a method to repair the system itself.

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