



LIBOR Prison Blues: SFO secures 14 year sentence for trader

A former UBS and Citigroup trader, Tom Hayes, has been sentenced to 14 years in prison after he was found guilty of conspiring to manipulate LIBOR. This is the first conviction in the LIBOR manipulation scandal and is one of the most severe sentences obtained by the SFO to date.

The conviction was the culmination of a two and a half year criminal investigation by the Serious Fraud Office (SFO). The SFO has said that more criminal charges in relation to LIBOR-rigging will follow in the Autumn.

This briefing looks at how the length of Hayes' sentence and the SFO's comments on future LIBOR investigations indicate that the UK enforcement authorities are hardening their stance on white collar crime.

The crime

Hayes was convicted of 8 counts of "conspiracy to defraud", a common law offence which carries a maximum 10-year sentence per offence. He was sentenced to 9.5 years for the first four counts (at UBS), and 4.5 years for the last four counts (at Citibank), resulting in a total sentence of 14 years.

Hayes' crimes were committed between 2006 and 2010. Had they been committed after 1 April 2013, Hayes might also have been convicted under the statutory offence of making a false or misleading statement or impression in relation to benchmark-setting. This offence was brought in the aftermath of the global LIBOR fixing scandal, and carries a maximum 7-year sentence.

In addition to Hayes' prison sentence, the SFO is expected to pursue proceedings against Hayes to confiscate the proceeds of his crimes.

A bit harsh?

A number of commentators have remarked upon the severity of Hayes' sentence, with some saying that longer sentences could only have been handed out for crimes such as for rape, drug dealing and murder.

The presiding judge said that *"the seriousness of this offence in the context of the LIBOR benchmark and banking is hard*

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to overstate". The judge said that Hayes had played a leading role in the manipulation and had exerted pressure on others. The fact that other traders were doing the same or that his managers condoned the rigging *"was no excuse"*.

The judge also made clear that the sentence was partly intended to be a deterrent to other bankers, saying *"The conduct involved here must be marked out as dishonest and wrong and a message sent to the world of banking accordingly"*.

Although a 14-year sentence is virtually unprecedented for white collar fraud in the UK, this is the latest in a series of harsh penalties handed out to bankers convicted of fraud. It demonstrates that the UK judiciary is toughening its stance on white collar crime. For example, in January this year, Magnus Peterson was jailed for 13 years for misleading investors ahead of his hedge fund's collapse, whilst UBS trader Kweku Adoboli was sentenced to 7 years in prison for fraud in 2012.

Only the beginning

To date, the SFO has charged 12 other people as part of its investigation into LIBOR manipulation. One pleaded guilty in October 2014, whilst the rest are awaiting trial, with some due to stand trial in September this year.

David Green, director of the SFO, said that that he plans to file more criminal charges in the Autumn against other former bankers for manipulating LIBOR. Mr Green said in

an interview with the Wall Street Journal: *"We follow the evidence wherever it takes us, and that might be as high up in the organisation as you might choose... If there is evidence and it is in the public interest, we will prosecute someone"*.

The UK authorities have in the past had a reputation for not being as robust on white collar crime as their US counterparts. Green's predecessor at the SFO had declined to investigate LIBOR-rigging, suffered public embarrassment in the failed Tchenguiz prosecution, and there are still rumours that the SFO will be subsumed by the larger National Crime Agency.

However, Hayes' conviction could mark a watershed moment for the UK authorities. Green said in a speech last year that the office *"has recovered its mojo"*. The 14 year sentence for Mr Hayes would tend to support that proposition.

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