showed widespread concern about the structure of the currency markets as early as 2006. All sides agreed that it was open to abuse because many clients, from multinational companies to mutual funds with foreign holdings, tended to buy and sell currencies from their banks at a single daily reference rate, the “London fix”, which is calculated using trades executed in 60 seconds of trading at 4pm in London.

That means rigging the market for just a minute could reap rich rewards. A bank that had agreed to sell lots of Canadian dollars, say, for a corporate customer could, in effect, depress that currency’s price at the fix and so buy them for itself at a slightly lower price. Bankers allegedly shared trading positions ahead of the fix, in internet messaging groups, among them “The Cartel” and “The Bandit’s Club” (traders are not known for their subtlety).

Regulators think this is an amount to fraud; banks have argued they were injecting order in an otherwise unworkable marketplace. Notes taken by a trader at a meeting organised by the Bank of England in April 2012 suggest the traders had told the bank that they regularly shared information on forex positions. According to Bloomberg, the central bank at last tacitly endorsed their attempts to match buyers and sellers, presumably to limit the volatility of everyone trading at the fix. Discomfortingly, the bank explicitly said notes should not be taken at the meeting. Its own minutes reportedly shed no light on the matter.

The Bank of England denies it endorsed any wrongdoing. After reviewing 15,000 e-mails, 21,000 chat messages and 40 hours of phone-call recordings, it said it had found no evidence its staff were privy to any collusion. But one person at Threadneedle Street had breached “rigorous internal control processes” and others have been reminded of the importance of keeping accurate records and telling higher-ups when they hear something noteworthy. A fuller investigation has been launched.

It is not the first time the central bank is painted as a conspirator in financial fiddling—or at least a tolerant of it. In 2012 the then-deputy governor, Paul Tucker, had to flatly deny he had sanctioned duff LIBOR submissions by Barclays at the height of the financial crisis. Chummy exchanges with Bob Diamond, at the time the boss at Barclays, made for awkward reading.

One potential problem for banks is that, unlike the people affected by LIBOR, it is easy for those who were fleeced by their forex bankers to figure it out (and to sue). Perhaps the most curious thing is the timing of this: how the currency-market skulduggery happened after the banks had already come under investigation for LIBOR. That suggests banks were slow to clean up the rotten culture on their trading floors, or that they genuinely thought their colluding ways had been officially endorsed.

Gold

In a fix, Mr Bond

New concerns surround the way the world gold price is set

COMMODITY prices are not just for buyers and sellers of the physical stuff. They are also the basis of derivative markets—futures contracts, options, and combinations of these and other financial instruments—which can be far larger. A twitch in the “benchmark” price can mean big shifts in the value of derivatives, and profits for the prescient.

People unhappy with the way the world gold market works suspect that more than prescience may be involved. In a class-action lawsuit filed this week, Kevin Maher, a New York-based investor in the gold and derivative markets, is suing the five banks which set the benchmark—Deutsche, Barclays, Nova Scotia, Société Générale and HSBC—for collusion. Those banks that have commented say they will defend the suit vigorously.

Another bit of bad news for the gold market comes from a forthcoming paper by Rosa Abrantes-Metz, of New York University’s Stern School of Business, and her husband Albert Metz, a ratings-agency chief (writing in a personal capacity). This identifies a puzzling number of large downward price movements in the run-up to the afternoon “fix”: a conference call, typically ten minutes long, when the banks exchange information and decide on the price. Ms Abrantes-Metz terms the spikes “too frequent and too large” to be mere chance.

The couple have previously highlighted problems in other benchmarks, such as LIBOR (the London interbank offered rate). Ms Abrantes-Metz says it is “troubling” that a “small group of people” with “complete lack of oversight” set prices in which they have multiple other interests. The anomalous spikes were not noticeable in the period 2001-03, she notes, but became apparent only after 2004, when the gold-derivatives market expanded sharply.

Some participants are getting jittery. Deutsche Bank is withdrawing from the gold (and silver) fixing processes, putting its seat up for sale. The German financial regulator, BaFin, has interviewed members of the bank’s staff as part of a probe into potential market-rigging of both prices. Other financial supervisors around the world are investigating a range of commodity and interest-rate benchmarks. A hangover from an earlier, clubbier age (the London fix started in 1999), they were designed as a way of producing clear prices in illiquid markets. But to a suspicious modern eye, they look archaic and dodgy.

People who are involved in the gold market defend it robustly. Ross Norman, the chief executive of Sharps Pixley, a bullion broker, says that the methodology of the fix is “open, efficient and transparent” and known to regulators. He agrees that more visibility might help, but decries suggestions that the market could be rigged. Any systematic anomaly, he says, “would be grasped by dozens of institutions, who would make money on the arbitrage.”