

## Book review: 'How the City Really Works, 3rd Edition'

Jun 07 2010 [Helen Parry](#)

Beauty parades, haircuts, icebergs, book runners ? the colourful argot of the financial markets can appear utterly opaque and mystifying to the uninitiated. For those seeking enlightenment, however, help is at hand with the third edition of Alexander Davidson's "How the City really works ? the definitive guide to money and investing in London's Square Mile" published by Kogan Page. While this edition went to press before the tumultuous events leading up to the formation of the first coalition government since World War II and its tantalising hints as to the future financial and regulatory landscape, readers will, nevertheless, not be disappointed by the wealth of detailed references to crucial developments right up to November 2009 when the book went to print. The author has skilfully addressed the many difficult issues facing us in this brave new post crunch world while still managing to include a very comprehensive and user friendly introduction to the mysterious markets, products and practices that occupy the denizens of the Square Mile. In addition to providing an overview of the markets and the credit crunch, the author has not stinted in delving into the deeper recesses of finance, economics and regulation and in supplying the reader with many links and suggestions as to the latest publications of governments, regulators, practitioners and academics.

### The scope

While the book covers all the major markets products and practices including equities, bonds, money markets, pooled investments, derivatives, commodities, forex, Islamic finance, insurance, shipping, freight, underwriting, clearing and settlement, financial communications, analysis, corporate governance and regulation, it also includes chapters addressing specialist subjects such as the problems affecting Iceland and the Icelandic banks. There is also targeted advice for retail investors on understanding and using retail investment products as diverse as annuities and spread betting. The impact of the global financial crisis is fully addressed both, in terms of general economic and monetary theory, as well as with regard to specific market sectors. Major crunch-related market events affecting particular financial institutions such as Northern Rock, Lehman Brothers, Bear Stearns and AIG and controversial shadow banking activities such as the use of structured investment vehicles, commercial paper, money market mutual funds, collateralised debt obligations and credit default swaps are examined along with the regulatory responses of the Bank England, the FSA, EU regulators and global fora such as the G20 and the IMF.

### Practical approach

In addition to addressing the big picture in terms of the need for an improved regime of macro-prudential regulation, the author also provides detailed practical expositions of topics of direct interest to retail investors such as how to read and interpret the financial pages in order to enhance equity investing strategies; a very clear explanation of the mechanics of primary market activities and investment opportunities; the complex issues surrounding pensions and annuities and the range and variety of financial spread betting.

### Financial crime

Financial crime, such as mortgage and investment fraud has clearly played an important role in the blowing up and bursting of the credit market bubble and the Madoff debacle was an archetypical example of how financial chicanery is exposed when financial bubbles do eventually burst. These and other related hot topics such as money laundering, terrorist financing and piracy are also addressed.

### Conclusion

Students of finance and regulation, retail investors as well as market practitioners will find much to engage them in a book which, with its extensive bibliography, copious references to the latest research and useful list of web sites does offer the reader a definitive guide to money and investing in London's Square Mile.