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THE TRADING GAME

A CONFESSION



GARY STEVENSON

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A Confession

GARY STEVENSON



**CROWN
CURRENCY**
New York

The Trading Game is a work of nonfiction. Some names and identifying details have been changed.

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“In a mad world, only the mad are sane.”

—Akira Kurosawa

“Life is life, game is a game.”

—Anish’s granddad

Prologue

“I WANT TO TELL YOU a story.”

Caleb’s oversized face loomed over the table. Beneath it sat two ramen bowls. One empty, one full. A few stray wisps of steam floated upward, where they danced with his beaming white smile. From where I was sitting, slumped down low in my chair, the two chopsticks jutting upward from my bowl seemed to reach nearly up to his chin. His smile grew.

“I used to know a really good trader. A really, really good trader. He used to work for Deutsche Bank. Smart guy. Young. Just like you.”

Caleb’s thick forearms were wrapped around his warm, empty bowl, and they pushed down, hard, into the table. His hands were not far from my face now, clasped tightly together. I’ve never forgotten how those fingers looked. Thick, round and pink, like raw sausages. They looked ready to burst.

“You know, he was a really good trader, this guy. Made a lot of money. Made a lot of money for himself, made a lot of money for Deutsche Bank. He had a good career ahead of him.”

The hubbub of the restaurant filled the space around us. It wasn’t one of those rustic, hole-in-the-wall ramen joints that seem to birth themselves in the back alleys of Japan’s big cities. This was a big, sprawling, corporate restaurant on the sixth floor of a big, sprawling, corporate skyscraper. Loose-tied businessmen clinked beer glasses with their bosses, laughing at their jokes. A few American bankers mixed in with the Japanese salaryman types, talking too much and too loudly. I wasn’t talking at all. I was watching that oversized face float through the darkness, across the table, toward me.

“But you know, this guy, this young trader. Even though he was a good trader, he had one really serious problem. One fatal flaw, you could say...You see, this guy, he thought he could walk away. He thought he could leave. Do you know what I mean?”

Caleb was a big guy. I’ve probably made that clear by now, but it wasn’t just his face and his fingers that were big. Everything about him seemed about two sizes bigger than it should have been. His eyebrows were big, his chin was big. Somehow, the hair on his head was too big, too thick, and too dark. More than all of that, his smile was enormous. Huge, white and pearly. Right now it seemed to me to stretch wider than his face. Like the Tuesday night Cheshire cat of the ramen-ya, that smile seemed to shine through the dark of the room.

“So this guy, he decided he was going to take the money and walk away. Leave the industry, you know? Nice idea. Have a family somewhere. Sweet. You see, the thing is, this guy though, he just didn’t really understand how this industry works. Deutsche didn’t really want to see him leave. You know?”

It didn’t take a genius to tell where this conversation was going, and I felt my stomach starting to sink. I began to feel a bit sick, and I could taste or smell something in my mouth. Was it blood? I sat deep in my chair and I watched. Caleb was still smiling. That smile seemed to grow bigger by the minute.

“Anyway, Deutsche Bank went back and had a look, at all of his trades, you know? All of his chat history, all of his emails. He had been working there for a long time, you know, he’d done a lot of trades. And they managed to find some stuff in there that wasn’t good stuff. Do you know what I’m talking about? Stuff he shouldn’t have done.”

I could start to feel fire in my legs now. In my feet. A hot, growing, itchy feeling. A burning. But I didn’t move.

“So you know, it wasn’t the right thing to do, but Deutsche actually took that trader to court for a few things. He hadn’t really done anything that bad, to be honest, but they managed to put something together. The case rumbled through the courts for years and years. Do you know what I mean? In and out of court, in and out of court. Real nightmare. That trader, great young trader, he never really got to leave, you see. Never got to have that family. Just courtrooms. Best years of his life. Can you imagine that, Gary? Can you imagine? The case never went anywhere, but he lost all of his

money anyway, in the end. Lawyers' fees. All of his money, and much more besides. In the end, he was bankrupt. In the end, that guy lost everything."

The fire was everywhere now, so was the sickness, and that blood taste. I still didn't move though. I looked up at his face.

"Gary, are you listening to me? Do you understand what I'm saying here?"

That big round face loomed closer still.

"Gary. I like you. I think you're a good person. But sometimes, bad things happen to good people. You are going to learn that. We can make life very difficult for you."

In that moment, a lot of memories came flooding back. Memories that carried me thousands of miles. Away from Tokyo and back to Ilford, East London. I was eighteen and sitting on a football, in a dead cul-de-sac next to the railway, as Harry told me that his mum had cancer. I hadn't known what to say, at the time: "Do you wanna play football?" I remembered being stood up against the wall of an alleyway on a dark night and watching Saravan as he threatened to stab me. His hands were in his pockets. Did he have a knife? I didn't know. I remembered being chased down streets of terraced houses and jumping over garden fences and that time that Brathap got run over and the way that his body shook as it lay on the ground. I remembered all the stupid violence and the blood and the nonsense so much nonsense of the kids on the street and all the promises that I'd made and the people I'd known. I remembered sitting with Jamie on the top of the multistory carpark in the nighttime, watching the new skyscrapers go up around us in our city and telling him that I was gonna be somebody, someday. Promising him that I'd do it. He'd laughed at me, smoking into the moonlight. But he knew that I would though. So did I.

No, I thought. It doesn't end here.

Not here in this cold, corporate restaurant. Not buried down by the weight of that smile.

Part One

GOING UP

IN SOME WAYS, I WAS born to be a trader.

At the end of the street I grew up on, in front of the tall, concave wall of a recycling center, a lamp post and a telegraph pole stand four meters apart from one another, forming the perfect set of impromptu goalposts.

If you stand between those two posts, take ten big steps backward and stare upward and between them, into the far distance, the light of the tallest Canary Wharf skyscraper will peek over that high wall, and wink at you.

After school, as a child, I would spend long evenings kicking battered foam footballs in and around those goalposts, wearing battered school shoes and my brother's school uniform. When my mum would come and call me home for dinner, I'd look back and watch that skyscraper wink at me. It seemed to mean some sort of new life.

It wasn't just the streets of East London I shared with those gleaming, towering temples of capitalism. There was something else too, some kind of shared belief. Something about money. Something about want.

The importance of money, and the knowledge that we didn't have much of it, was something I always felt deeply. In one of my earliest memories, my parents gave me a pound coin, and sent me to the Esso garage to buy lemonade. At some point in the trip, I dropped that pound coin, and lost it. In my memory, I searched for that pound coin for what seemed like hours—crawling under cars, scrabbling in the drains—before returning home, empty-handed, and in floods of tears. In reality, it was probably only thirty minutes. But thirty minutes is a long time when you're a child, I guess, and one pound was a lot of money.

I don't know if I ever really lost that love for money. Although, now, when I look back and think about it, I'm not sure that love is the right word. Perhaps, especially when I was a kid, I think it might have been more of a fear. But whether it was fear, or a love, or a hunger, it only got stronger as I started to grow, and I was always chasing those pounds I didn't have. At twelve, I started selling penny sweets in school; at thirteen, I started delivering papers, 364 days a year, for £13 a week. By sixteen, my high school sales business had become considerably more adventurous, more profitable, and more illicit. But those small kills were never really the end game, and every evening, after the sun went down, I'd always look up at those skyscrapers, winking down at me from the end of the street.

But there were many other ways in which I was not born to be a trader, and those ways were and are, very important.

Because there are many, many, young, hungry, ambitious boys kicking broken footballs around lamp posts and cars in the shadows of East London's skyscrapers. Many of them are smart, many of them are committed, almost all of them would make all kinds of sacrifices to put on a tie and some cufflinks and go walk into those tall, shiny towers of money. But if you step onto those trading floors, which take pride of place in those glimmering skyscrapers where young men earn millions of pounds every year in the heart of what was once East London's docklands, you will not hear the proud accents of Millwall and Bow, of Stepney and Mile End and Shadwell and Poplar. I know, because I worked on one of those trading floors. Someone once asked me where my accent was from. He'd just graduated from Oxford.

The Citibank Tower in Canary Wharf has forty-two floors. In 2006, which was the year I first entered that building, it was the joint second-tallest building in the UK. One day, in 2007, I decided to go up to the top floor of the building, to see what the view was like, and to see if I could see my home.

The top floor of the Citibank Center was used only for conferences and events. This meant that, when it was not in use, the entire space sat totally empty. A vast, uninterrupted country of lush blue carpet, bordered on all sides by thick glass windows. I floated across the soundless carpet to the window, but I couldn't see the place where I lived. From the 42nd floor of the Citibank Center, you cannot see East London. You can only see the 42nd floor of the HSBC Tower. The ambitious young

children of East London look up to the skyscrapers that cast shadows on their houses, but the skyscrapers don't look back. They look at each other.

This is the story of how I, of all the kids playing football and selling sweets in those shadows, got a job on the Citibank trading floor. It's a story of how I became Citibank's most profitable trader, in the whole world, and it's a story about why, after all of that, I quit.

These were the years when the global economy started to slip off the precipice from which it's still falling. At times, my sanity slipped with it. At times it still does. God knows, I didn't treat everyone the best. Harry, Wizard, JB, myself. All the others who really should have had names. I hope you can forgive me for telling your stories. They're all part of my story, you know?

I'll dedicate it to Anish's grandad, who, when we were drunken teenagers, and he was a drunken old man, would mutter to us endlessly the only sentence that he knew well in English.

"Life is life. Game is a game."

—

We never really figured out what it meant. I still hope that one day we will.

MY PATH TO THE TRADING floor began at the London School of Economics.

The London School of Economics is not really a normal university. With no grand, leafy campus, the university buildings camouflage themselves as a cluster of innocuous offices, and secrete themselves down a side alley of London's West End.

In spite of these relatively innocuous surroundings, the global elite funnel their children into the university with astonishing enthusiasm. It seemed that no Russian oligarch, no Pakistani Air Force Commander, and no Chinese Politburo member had missed the opportunity to send an ambitious son, daughter, nephew or niece over to this unremarkable corner of central London to study simultaneous equations for a few years, before flying home to take over the running of the mother country, perhaps with a few years working at Goldman Sachs or Deloitte in between.

In 2005, when I arrived at the university to study Maths and Economics, I was not a typical LSE student. Three years earlier, I had been expelled from my high school for selling exactly £3-worth of cannabis. Before that, I had tried to start a grime music collective; I had had a hoodie custom-made with "MC Gaz" on the front and "Cadaverous Crew" in big, stylized letters on the back. I turned up for my first day of lectures in an Ecko tracksuit of matching blue and white hoodie and jogging bottoms. The white hoodie had a big navy blue rhino emblazoned on the front. I didn't really have much idea, before I got there, of anything about the university. But a kid at school had told me that a degree from the LSE was a one-way ticket to a big-money job in the City, and that had been good enough for me.

Unsurprisingly, I didn't really fit in. The Russian oligarchs didn't eat at halal fried chicken shops. The Singaporeans didn't understand my accent. To save money, I was

living with my parents, in Ilford, ten miles east of the university. I had just gotten my first proper girlfriend, who was also from Ilford, and I spent the majority of my first year drinking with her on park benches, sneaking her out of my bedroom window and over the railway tracks when my mum came home from work, and only really going to university for lectures and classes.

Despite that, I was committed to doing well at the LSE. I didn't have any family connections, or any knowledge of the City. I wasn't tall or handsome and I didn't have a nice suit or smooth networking skills. The most impressive extracurriculars on my CV were an extremely uninspired career as a fast-rapping grime MC and two years fluffing pillows at the DFS sofa store in Beckton. But maths had always come naturally to me, so, the way I saw it, there was only one path for me into the City—beat all the Arab billionaires and Chinese industrialists to a top first class degree, and just pray to God that Goldman Sachs noticed.

My plan to achieve this was relatively simple: sit at the front of every lecture and class, and make sure I understood everything that every professor and class teacher said.

The strategy worked pretty effectively, and I finished the first year of the course with a decently high first. If I'm being totally honest, I'd found it pretty easy. I went away for the summer feeling as though my plan might just work.

But when I returned to the LSE for my second year, a couple of things had markedly changed.

Firstly, suddenly, unprecedentedly, and seemingly apropos of nothing, nearly every student in the entire year group had become an intensely studied junior banker. I don't mean to say that everyone had actually secured jobs in the glittering skyscrapers of Canary Wharf or the City, but everyone, totally unexpectedly, to me at least, began to behave as if they had. People started attending Finance Society events on Wednesdays and Fridays, and networking events with the Investment Society on Mondays as well. They began to use sentences consisting almost entirely of three-letter acronyms—ABS, IBD, CDS, CDO, M&A—and talked about “Sales and Trading” and “Securitization.” For some inexplicable reason, a large number of people started to attend lectures wearing full business suits. Rumors began to abound that various students, inevitably the tall, broad-chested, finely coiffed, suit-wearing contingent of

nationally-ambiguous-clearly-wealthy origin, had already secured illustrious internships at Goldman Sachs, Deutsche Bank, JPMorgan or Lehman Brothers. Some were even rumored to have gotten full-time jobs.

All students started to apply for internships. Not just one or two internships, but fifteen or twenty, sometimes more. Theoretical interview questions began to circulate among the student community, on the alleged basis of having been put to a mythical student from the Statistics or International Relations departments. It became generally accepted knowledge that an interview candidate was likely to be asked how many bald people there were in the state of Virginia. One student was allegedly given five seconds to provide the answer to 49 times 49. All students diligently recorded that it was, of course, 2,401. Inexplicably long queues began to form spontaneously in unpredictable areas of the campus. Usually, most of the queueing students would not be quite certain, when asked, what the queue was actually for. But maybe, at the end of it, someone would get an internship. Maybe there would be a networking opportunity. Large clusters of twenty or so calculator-wielding students began to appear surrounding computers in the library, barking out numbers and letters, communally tackling Morgan Stanley's online numerical tests as a group.

I had no idea how to react to this complete change in the attitude, approach and priorities of the students surrounding me. Many had stopped attending lectures altogether, so as to allow their time and energies to be devoted more completely to the arts of networking, applying for jobs, and learning the language and acronyms of the world of finance. My hitherto successful-seeming strategy of simply turning up for lectures and classes, and fully understanding the course material, began to feel painfully insufficient and naive.

Perplexed, I turned to one of the few good friends that I had gathered in my first year of university: a tall, handsome, British-raised Slovenian boy named Matic, who studied alongside me in the maths department. Whilst Matic had not gone "full business suit," like many of the other students, his manner of dress had notably sharpened. He was a member of the finance societies. He used acronyms. He made applications. He went for interviews. He attended events.

I asked Matic what on earth could possibly have happened over the summer to have wrought such a world-bending change in the student community.

“What do you mean Gary? Don’t you know? Second year is internship year!”

So here’s how it works. Or, at least, I’ll tell you now what Matic told me then.

Everyone at LSE wants to work for Goldman Sachs. Or Deutsche Bank. Or Morgan Stanley. Or JPMorgan. Or UBS.

Not just everyone at LSE, but everyone at Imperial. Also everybody at Warwick. Of course everyone at Nottingham and Durham and Bath. And also the people at Manchester and Birmingham want to work at those places, but they have got no chance, well, unless they know someone in the industry, of course. The people at Oxford and Cambridge want to work there too, at least the ones who aren’t rich enough to never have to work.

There are not enough jobs for all of these people. Not even nearly enough. Not only that, but not all jobs are made equal. The best job is “Sales and Trading.” That job has the best hours (you only have to work twelve hours a day, plus you get weekends off), and also you can make the money in the quickest time, so long as you’re good. If you don’t get Sales and Trading, you have to work in IBD or M&A or something working hundred-hour weeks until your soul dies and then longer still. If you don’t make that you’ll have to work in “*Consulting*.”

I had literally no idea what consulting was. From the way that Matic said the word, it might have been cleaning toilets.

There is no way to get a job without an internship, unless you’ve got contacts, and the only time to get an internship is *now*. If you don’t get an internship after second year, you’ll have to get an internship after third year. After your internship, 50 percent of interns will get an offer of a full-time job a full year later, so if you interned after third year, you’d be facing a full year of unemployment. But really, that’s just theoretical, because no investment bank is going to hire an intern at the end of their third year—they’ll know everyone rejected you in second year, and nobody’s going to want a rejected intern.

“So that’s it. It’s make or break. It’s do or die. Your future will be decided now. Forget about your “Maths and Economics.” You need to know what a CDS is. What’s M&A? What’s IBD? How can you not know Gary? Everyone knows! And you need to send applications. These internships are ridiculously overapplied, and you don’t have

any connections. Your only hope of getting one is to apply to at least thirty banks. How many have you applied to so far? None!?!”

None was the answer. I was lost.

I could do maths. I could do economics. But in this new world of acronyms, I had nothing. I'd believed it when the teachers back at school had told me: study hard and do well in your exams and you will get a good job. I had been an idiot. I had been a fool.

Matic was a kindly guy, if a little intense, and he took pity on me. He took me along to a finance society event titled “How to Get a Job at an Investment Bank.”

The event, held in one of LSE's grander, older, brighter lecture theaters, was well attended. We were there for a talk given by a former investment banker who looked as if he was taking time off from being an extra in a Hollywood movie about Wall Street. All pinstripes and slicked-back hair and height.

The talk seemed to me a stream-of-consciousness monologue on the theme of hard work, with each sentence pockmarked by those words and acronyms that by now I was *sure* I had heard somewhere, but still didn't quite know the meaning of, as if it was being delivered in a language that I had half-studied at high school and never quite fully learned. The speaker moved constantly and rapidly across the stage and spoke with an unbelievable intensity. The message I came away with was a pretty straightforward one: read everything, know all of these acronyms and their meanings, network everyone, apply everywhere, work always, don't sleep. I'm not sure if that had been exactly the message intended. I left the talk thoroughly depressed.

To Matic's disappointment, and to some extent, my own I think, I gave up on applying for internships. I couldn't do it. I've never been good at memorizing acronyms. It weighed just too much on my soul. Besides, the first stage of the application process was CV and cover letter. Everyone else had been prepping for this since they were about four. They all seemed to have trekked the Sahara, or led the Junior United Nations, or played the fucking oboe at the Royal Albert Hall or some shit. My CV had six years of delivering newspapers, one year as a failed grime rapper, and two years fluffing pillows at a sofa shop next to a sewage works in Beckton. What was the point?

What saved me was the second change in my university experience, which was equally unexpected and inexplicable. When I returned to uni for my second year, people suddenly knew who I was. Students who I had never seen before in my life, even sometimes from the clan of suit-wearers, would approach me in the library and start talking to me. Once, a Chinese student stopped me physically in a corridor, looked me up and down, angrily, wordlessly, for approximately ten seconds, then said nothing, and just walked away. Another time a tall European girl with an ambiguous accent and fantastic hair asked to study with me. None of it made any sense.

In my confusion, I raised this mystery with my friend and fellow student Sagar Malde, a tall, wiry Kenyan Indian boy with a wonderfully florid accent, whose father owned the entire East African soap industry.

“Of course they know!” cried Sagar, as if it was obvious. “They know how you did in your exams.”

This answer didn’t quite explain the mystery. My results had been good, but, as far as I was aware, they hadn’t been public, and besides, they were far from the best in the university. Sagar himself, for example, had done significantly better than me.

“Of course, Gary,” he said kindly, when I put that to him, “but no one expects that from you.”

Sagar was a lovely boy, we’re still good friends. But in that moment I was genuinely shocked. I’ve always been good at maths, very good, since as far back as I can remember. Everyone in my primary school knew I was good at maths, everyone in my high school knew. I used to enter competitions every now and again, and usually, I’d win. Teachers, family, friends all expected it of me. I had always expected it of myself. Some people might have been jealous of me, but no one had ever been surprised.

Sagar’s offhand comment, though, made me realize something for the first time, something which had never even occurred to me before: a lot of rich people expect poor people to be stupid. The LSE first-year economics lectures are enormous, with attendances of over a thousand students. By sitting in the front row during those lectures, wearing a tracksuit and carrying a Nike string backpack, and asking questions in a distinctively East London accent, I had apparently advertised myself to those

other, generally wealthier students as a bit of fun, but not really a threat. My first-year results had turned things on their head.

I rolled it around in my head a bit, and I asked myself what should I do. I decided, right then, that I'd show 'em: we're not all stupid, us kids in tracksuits. Yeah, I didn't know what a CDS was, but I could do some maths if I had to. We'll show 'em, yeah we're gonna show 'em. We'll show those guys what we can do.

So while everyone else was applying to thirty-seven investment banks, I set about rather extravagantly showing everyone who would listen how good I was at economics and, particularly, maths. For the first time in my life, I started to study in my spare time. I asked even more questions of the lecturers. I started to challenge them when they made mistakes. I didn't really have any idea if or how it would ever lead me to a career, to be honest, but I wasn't really thinking too much about that, anymore. I just wanted them to know they weren't better than us. Because they're not.

Anyway, one day this kind of strange thing happened. A gangly northern kid from Grimsby, looking about six inches too tall with a thick mop of black hair and a mussed-up business suit, wandered over to me in the library. His name was Luke Blackwood, a fellow Maths student from the year above me.

“Are you Gary?” he asked me, and I told him I was.

“Listen, Citibank have an event next week. It's called “The Trading Game,” but it's basically a maths game. If you win it, you can get invited to the national final, and if you win that you get an internship. I heard you're pretty good at maths. You should go.”

I had never met Luke before, but he sat down next to me, told me the date and time of the competition, and briefly explained to me the rules of the game. I didn't know anything about trading, but, as Luke said, I didn't have to: it was essentially a relatively simple maths game. After showing me how it worked, Luke got up, and simply walked off, leaving me sitting in front of a blinking computer and a few half-finished A4 pages of maths homework.

I don't know why, maybe I was just cocky and overconfident, but I was immediately pretty sure I was going to win that game. I might not have known anything about CDSs or CDOs or Asset Backed Securities, but I knew about games, and I knew about maths. Here, it seemed to me, was finally a path into the City that

didn't require me to have played the fucking oboe. Here, finally, was a level playing field, a real competition. And I knew it was one I could win. I put away my textbooks and closed down my maths homework. I opened up a spreadsheet and set about working out all of the maths of the game.

—

The first round of the Trading Game event was only a few days after my conversation with Luke. It was only the second finance event that I'd ever attended. It was a warm autumn evening and, although the game hadn't been advertised (or not that I'd seen anyway), a medium-sized queue snaked out of one of LSE's large office block buildings. The usual LSE-finance-society type of queue: an international potpourri of Chinese, Russians and Pakistanis alongside plenty more whose accents and outfits spoke more of trust funds than any particular nationality.

I had an advantage over these people, and I knew it. I'd had the rules of the game previously explained to me, and they hadn't. That wasn't fair, but life isn't fair. God knows these guys had had plenty of rules explained to them in their lives that I was never going to know. It felt like the first advantage I'd ever had. I enjoyed that feeling as the queue filtered in, a vibration in my fingers and toes.

The queue of hungry, young aspiring traders filtered into a large, high-ceilinged, windowless room, a lecture theater somewhere in the bowels of the building, albeit one that I'd never seen before. We were split up into groups of five and placed onto separate tables. A huge man stood, gleaming, in front of a large flip chart at the front of the room. This was the first trader I had seen in my life. That's what a trader must look like then, I thought.

Once we were seated the trader explained the rules of the game. I, of course, already knew the rules, so I had time to watch him as he spoke. He moved around the room with a slow, decisive heaviness. He smiled unerringly and scanned across the crowd with bright eyes, looking into each student one at a time. A confidence seemed to snake off of him, like smoke from a candle, flowing into the room. There was a kind of thick, sticky darkness to it, but also a sharp, shiny brightness, like treacle