

# Rogue Trader: A film deeply in awe of the market

Written and directed by James Dearden

By Tony Hyland  
27 July 1999

*Rogue Trader* opens with Nick Leeson explaining how someone from his lower middle class background ended up working for the oldest merchant bank in the world: “Thanks to Maggie Thatcher’s deregulation of the City of London...”

The real life exploits of Nick Leeson (played in the film by Ewan McGregor) and his role in the downfall of Barings Bank, one of the single largest financial disasters of the nineties, certainly encapsulate the economic and social changes of a tumultuous period.

From being a conservative merchant bank, Barings became ever more reliant on speculation in the global stock markets to accumulate its profits. The “derivatives” market was somewhere this could be done in a very short space of time. Derivatives grew from a beginning as a means to insure against fluctuations in the price of agricultural goods, by fixing contracts ahead of time\*. This was then extended to cover currencies and other commodities. As exchange rates became increasingly unstable, the derivatives trade enabled huge profits to be made by buying and selling complex products based on estimating the future relative values of various commodities and currencies.

Following the stock market crash of 1987, derivatives became central to the banks’ operations as they sought to offset their declining profits. The volume of this trade soared from less than \$2 trillion in 1987, to \$12 trillion in 1993. As finance capital became increasingly globalised, Barings branched out to exploit these new markets in Latin America and the Far East.

Old financial institutions began to change their recruitment policies. No longer were they the chosen preserve of those with a public school education or upper class background. Those from less privileged backgrounds were employed as traders to whip up profits in these new markets. This gave rise to the term “barrow-boy” traders, to denote the aspiring yuppie elements prevalent in the financial centres of the world.

Leeson’s career coincided with the changing fortunes in these markets. After joining Barings in 1989, he was deployed to Singapore where, in 1992, the company activated a trading seat on SIMEX (Singapore International Monetary Exchange). Leeson was tasked with making profits from this untapped market through “arbitraging”—exploiting the small price fluctuations between SIMEX in Singapore and the Nikkei in Japan.

The collapse of this speculative boom was to be Leeson’s nemesis, and that of Barings as well.

Any hope that *Rogue Trader* will unearth some insightful social truths, however, are soon dashed. The cinematic genres that could have been employed to interpret this story are passed up, or simply do not exist in the repertoire of James Dearden, the film’s writer/director/producer.

A black comedy would have been one possibility. The inverted world of the derivatives market, the parasitic character of the profit making

involved, and combination of arrogance and ignorance of the traders lends itself to this.

In the book of the same title, Nick Leeson portrays some of these aspects, without a hint of self-parody: “All the money we dealt with was unreal: abstract numbers which flashed across screens or jumped across the trading pit with a flurry of hands. Our clients made or lost thousands of pounds, we just made commission... The real money was our salaries and our bonuses, but even that was a bit artificial: it was all paid by telegraphic transfer, and since we lived off expense accounts, the numbers in our bank balances just rolled up. The real, real money was the \$100 I bet Danny each day about where the market would close, or the cash we spent buying chocolate Kinder eggs to muck around with the plastic toys we found inside them.”

Proving the adage that morality is not quoted on the stock market, Leeson describes his attitude towards the Kobe earthquake in 1995: “On Wednesday 18 January, as pictures of the earthquake dominated all television screens, the trading floor was absolute carnage. Everyone in Japan had family or friends in Kobe, and they were selling shares to pay for the damage. The market was butchered.

“I stood by Barings’ booth and watched the chaos. All the Japanese guys were talking about the cracks in their walls, but funnily enough, I was pretty calm; I began to see this as an opportunity....”

In the aftermath of this human disaster Leeson was to conduct more trading in one day than he ever had previously.

*Rogue Trader* does not stir any critical thought about the social relations that these events reveal. It is a biopic with all the mediocrity of a made-for-TV movie. (The film went straight to video, a sure sign that the producers expected it to do badly on the big screen.) Ewan McGregor’s voice-over recounts selected highlights of Leeson’s rise and fall. From back room settlements clerk, to General Manager for Barings on the trading floor at SIMEX, to convicted fraudster and inmate of Tanah Merah prison. Along the way, an idiots’ guide to the growth of the derivatives markets and the emergence of the “tiger economies” is provided.

The protagonist’s demise is attributed to youthful exuberance and poor supervision. Even the creation of the “Errors Account” which Leeson used to conceal the losses that finally amounted to over £800 million, is given the best interpretation possible: the account was supposedly activated to cover-up the loss made by an inexperienced trader working under Leeson’s supervision. We are led to believe that Leeson’s main reason for perpetuating this deceit was the desire to protect the jobs of all the staff working under him, as the operation would have been closed down if the losses were discovered.

Such self-serving explanations are hardly surprising, considering that the screenplay is almost exclusively culled from the ghostwritten

autobiography. The character of Leeson is made a walking cliché—that of the “loveable rogue”. This is reinforced by a narrative that is a poor imitation, minus the soliloquy, of Michael Caine in “Alfie”.

Surveying his rise to new heights, Leeson/McGregor remarks, “Not bad for a chancer from Watford”. References to his humble origins are laid on, not so much in spades, as with mechanical earth diggers. The character of Leeson's wife Lisa, played by Anna Friel, is another dramatic deficit suffered by the film.

The responsibility of the upper echelons of Barings for Leeson's criminal activities is touched on, but only to be skimmed over. The title of the film is testimony to this. There is the suggestion of double standards, but this is trivialised. The action flits backwards and forwards from the frenzied activity on the trading floor in Singapore to the sedate and stuffy atmosphere of Barings central operations in London, with its gentleman's club atmosphere.

“The recovery in profitability has been amazing... leaving Barings to conclude that it was not actually terribly difficult to make money in the securities business,” Peter Baring, the bank's chairman, declares in self-congratulatory tones.

Senior managers of the bank are happy to remain blissfully ignorant of what Leeson is really doing, as long as he appears to be making mega-profits. Too many telephone number-style bonuses are riding on this. The film's conclusion contrasts the fate of Leeson, as he languishes behind bars in Singapore, and Peter Baring relaxing in the luxury of a private box at the opera.

Many awkward questions remain unanswered. How was it that Leeson was able to elude the attentions of the internal auditors for so long? An internal audit in 1994 raised serious concerns over the concentration of power he enjoyed in the Singapore operations, and how control of the trading floor and back room settlements could be abused to cover-up errors or fraud. Leeson was handling enormous capital flows and was responsible for one tenth of the pre-tax profits generated by Barings in 1993.

How was it that Barings was able to contravene the laws forbidding the transfer of more than 25 percent of a bank's share capital out of the country for nearly every quarter during 1993 and 1994? Although the Bank of England did not give formal approval to this, how much was tacit agreement involved?

Even though Leeson's fraud was practised on the London office of Barings and fell within the jurisdiction of the Serious Fraud Office (SFO), it was decided not to bring him for trial in Britain. This cannot be explained as a purely legal decision, as the charges he would have faced were of a more serious nature in the UK. But the SFO determined that Singapore was more suitable. How much did saving the blushes of the establishment colour their decision? Barings was the “Queen's own bank” and had very close ties to the then Conservative government.

Nick Leeson was eventually convicted of two offences of deceiving the auditors of Barings in a way “likely to cause harm to their reputation,” and cheating SIMEX. He was sentenced to six-and-a-half years imprisonment in December 1995.

That none of these controversial issues are probed in the film is of a piece with the fact that David Frost was executive producer of *Rogue Trader*. Frost was host and co-producer of the satirical current affairs series in the 1960s, “That Was the Week that Was”. His career as a television interviewer was initially founded on asking searching questions of politicians and celebrities. Today, however, he is amongst the most servile and self-satisfied of interviewers, reflecting his own contentment with a system that has made him very rich.

The response of the critics to *Rogue Trader* was almost uniformly unfavourable. Dearden has been pilloried for a “criminal waste” of a powerful story and his “silk-purse-into-sow's ear treatment” of seemingly foolproof material.

It is not just a case of the director being artistically challenged. Dearden's myopic outlook on contemporary society would make it difficult for him to produce anything of substance about this subject. In his own words: “Nick and Lisa, these two very naïve people, meet, fall in love, get married and are sent to Singapore to this whole new lifestyle. They suddenly find themselves making it in society—two people who, before, would have been disbarred because they didn't speak with the right accent and go to the right schools. Suddenly people with talent and energy were rewarded. *Rogue Trader* is a story about money, it's a real slice of social history and it symbolises a turning point when the Barings of this world were finally consigned to history and the Nick Leeson's of this world took over.”

Anything that might contradict this celebration of the supposed meritocracy of capitalism in the Thatcher/Reagan era is omitted. Dearden seems totally impervious to the growth of social inequality, the other side of this frenzied accumulation of wealth.

Leeson may have been convicted for fraud, but the social aspirations that motivated this are presented as something entirely healthy. The director has tried to give him the aura of a Patron Saint for Latter Day Traders.

Dearden is someone deeply in awe of the market. Even the art of filmmaking is just another commodity to be produced and sold for profit. “Let's face it, what Nick does is not unlike what we do as film makers,” he intones. “We take huge gambles with other people's money on movies. If they become box office successes, we're loved and admired. If they don't, we're shut out in the dark. A lot of businesses work that way. People take risks, and if it pays off, they're vindicated. That's what Nick did. He took risks and even though they weren't sensible ones they could have paid off enormously.”

This film has all the hallmarks of such a purely commercial venture. Its general release was rushed to coincide with Leeson's early discharge from jail in Singapore. Leeson emerged from prison to board a British Airways jet, where first class treatment awaited. The book and film are part of a veritable cottage industry that has sprung up due to the celebrity status afforded him. Much of this is aimed at rehabilitating his image. Typical of this was the interviews serialised in the *Daily Mail* entitled “Repentance of a Rogue Trader.”

The satire so sadly lacking in the film, can be found in such real-life events.

\* The Toronto Stock Exchange web site provides the following explanation about derivatives:

The term “derivative” doesn't actually refer to a specific type of investment vehicle. Instead, it describes a broad class of trading instruments that have no tangible worth of their own, but “derive” their value from the claim they give their owners to some other financial asset or security.

For example, gold bullion is a real financial asset. Gold futures contracts give their owner the ability to buy or sell the underlying bullion. The derivative in this case is a futures contract, which has no intrinsic value itself.

Likewise, stocks are real assets because they represent an actual ownership interest in the issuing companies, but call options on a stock are derivatives because their value is largely determined by the value of the underlying stocks.

There are many different types of derivatives, including futures contracts, forward contracts, put and call options, warrants, and swaps. Today, many derivative products trade on organized exchanges such as the Toronto Stock Exchange and the Toronto Futures Exchange and have standardized pricing and delivery specifications.

Exchange-traded derivatives fall into two general categories: options and futures. An option contract allows the holder to buy (call option) or sell (put option) a specified underlying asset by a specified date at a

specified price. A futures contract requires the seller to deliver a specific asset (or cash equivalent) to the buyer on a specified date for a predetermined price.

([http://www.tse.com/derivatives/publications/dl1\\_intro.html](http://www.tse.com/derivatives/publications/dl1_intro.html))

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