

## Stanley Ross: My Recherche du Temps Perdus

Sixty three years ago, I joined Strauss Turnbull. It was a different world. In late afternoons, a little tiny man on a bicycle, rode the alleyways behind Cornhill, used the great long pole he carried, to light all the gas lamps...that's how different it was. One day Julius Strauss on one of his walkabouts passed my desk, picked up Proust's "La Recherche du Temps Perdus" looked at me incredulously, "You are hhhreading Proust?" went back to his office, called in his partners and said, wonderingly, "Zere iss a boy, in ze basement, hhrreading Proust I am going to give zat boy a chance" How lucky I was to learn my trading from the Master, how wonderful that his widow is here tonight. Mrs Strauss, Julius was a truly-great- man.

After years of dealing International equities with him and our small team, he one day came crashing in, bellowing in his own inimitable style "Rrrhhhhoss you vant ze good news, or ze bad news? It was 1963 good news, Strauss had been chosen to broker the first issue of a new financing, a Eurobond, bad news, we had to make a price in this thing and sandwich it into our always hectic, arbitrage activity. Autostrada; the first such bond to enjoy a consistent after-market in the industry that developed, as new US tax laws bit. The early years were amazing. Equity arbitrage was swept aside by huge volume of trading in Finnish, Norwegian, Japanese US, top name straights and convertibles.

And it was the Wild West. Nothing regulated: believe me, anything went. Want to raise some cash? Easy. Short some new Eurobonds. Payment on value date, delivery in due course. This led to many firms not delivering some bonds for 1 or 2 years!! Not only did they use the clients' money all that time, but much worse, when bonds did, finally come, it was not unusual for them to cut off all the available coupons before delivering on.

In 1967, Kidder Peabody made me an offer I couldn't refuse, and as other US trading firms rushed to London, competition became frenzied. It all came to a grinding halt as we ran slap bang, into the New York credit crunch. Weeden was the first to cease trading with a \$50 million fail position. For 50 years, I add a nought and double it, thus a billion dollar fail position, one tiny firm. Think about it.

Problem was that since all bonds were dollar denominated everything settled in New York. Daily we sent instructions, receive and deliver. But only got incoming, nothing out, interest costs skyrocketed. I flew to New York, went down to Schrodgers vaults to

see what was going on and met Wolfgang Kron, Deutsche, who said “Stanley in 2 weeks I turned a \$23 million debit into a \$13 million credit.” (add a nought and double it) I rushed to office and demanded that Kidder sue them. They sneered “you make so much money, you absorb the goddamn loss”.

We had to deal with a mushrooming industry in almost total chaos. We thought of it as an industry we began, that fuelled our salaries, fed our families, gave us a standard of living of which most people could only dream. Mind you, in the UK thanks to Healey, we paid 83% in income tax, but mark my words, that can, and may just be, about - to - happen - again....

The anarchic state of our market made it essential that a trading association be formed and in 1967, about a dozen of us began what exists today, which led to the first meeting of the AIBD 1969 at the Great Eastern Hotel. I remember the first 3 words Dick Weguelin spoke, at our opening, “Mademoiselle Courtine, Gentlemen”, for in those far off days, in that entire hall, there was only one woman. The lovely Miss Courtine, where are you now. Are you, here? It was such a different world. Why, in Switzerland at that time women didn’t even have the vote. Happy Days. I jest.

Then we got busy - elected an 11 man Executive Committee, Rolf Halberg, became first Chairman, I became Chairman of Market Practices, which wrote the first trading rules, many of which I like to think remain unchanged. Simply establishing rules in a market where none existed, gave it a discipline and a credibility. We, who were there at the beginning, can, be proud of that which grew from our endeavours.

Of a dozen or more founding fathers, two names immediately spring to mind for their truly extraordinary work, month in month out, year in year out, their total dedication to those huge tasks, always struck me as incredible. Without them, the market could never have developed as swiftly and as efficiently as it did. The debt the market owes to Armin Matle and Walter Koller, cannot be overstated. To them, also, must go great credit for the commencement and continuation of the yearly Educational Seminars held in Montreux, further strengthening the markets’ development.

Some of you may remember “The Week In Eurobonds” the first Eurobond letter of it’s day from 1969. Its irreverent style, stories about my boats, wives, kids, great Danes, what I thought about the government - my New York hierarchy, oh and just

occasionally, about Eurobonds, built up quite a following. I felt strong enough within the industry, not only to be one of the first major trading firms to join Morgan's Euroclear system, but to stipulate that since the new method solved so much, we would only trade with professional firms using Euroclear, who were struggling a bit at the time. I thought they might have sent me champagne for life for that. No such luck.

Now Kidder NY didn't know the difference between a dollar and a Eurodollar, but looking happily at our bottom line, tended to leave us alone. Sadly, after about 10 years, political factors came into play and they took control. First they stopped my letter which infuriated a lot of clients, but they then went on to award me in 1979 the order of the DCM. Don't Come Monday. I guess our 45 people in London, having, over one five year period, averaged 34% of the total annual income of a global firm sixty times our number, just wasn't enough. Hey Ho.

So I set up and developed, a small firm called Ross & Partners at the prestigious address 'One Finsbury Square', the activity of which was to make me infamous in the eyes of New Issue fraternity, for our speciality was the so-called Grey Market and our activities changed the way the market functioned. People don't like change, especially when it threatens huge earnings and in those days Managers competed so fiercely for the high fees on issues pouring out that they were frequently overpriced.

I first realised the opportunity to position our tiny company, when a manager offered me a new Japanese convertible less 5! New issues often dealt at discounts, but never at less 5 and from a manager, unheard of. Couldn't sell a bond, but it duly came at par, yet was 2 weeks before the first tentative transaction, 88 1/2.

And it was then that I thought, if only I could make such things visible to more people there's surely a turn to be made. And then, magic day, I had that visit from Reuters, about developing a screen system. And it all took off from there. Because, for us to capitalise upon our activity, it had to be transparent, and being the first to quote new issue prices on a Reuter screen, transparent our main page, RAPC, certainly became. For pre Reuter, in half a minute by phone, you gave a single client a price, post Reuter, in the same instant, the price went to hundreds of people because suddenly, we were at the beginning of a - whole - new - world!

I saw the strength of it, when a fault at Reuters one day meant those selecting my pages were met with the dreaded words "Selective Access" and our phones jammed

solid the entire day, as huge numbers of people, many of whom we didn't know, screamed at us to give them their screen back! And for nothing, they didn't like me telling them there were going to be no more free lunches. From then on our volumes soared.

Indeed Reuters told me gleefully, they had such enormous demand to get RAPC, particularly from Swiss Banks, that – they could - not – install - the - screens - fast - enough. Thought I might have got champagne, from Reuters too, but I still wait.

I can think of no article that illustrates more clearly the turmoil in the market of those years than “Ali Baba and the Forty Bears” Euromoney September 1979. It sets it all out. Some years later, in an interesting postscript to that era the eminent Hans Joerg Rudloff, no less, finally pronounced on the Grey Market, Institutional Investor I think it was, he said “Stanley was right all along” Sweet music to my ears. He didn't need to say that. But I was glad he did. He didn't send me any champagne either. Hans Joerg, I like Louis Roederer pink.

In a speech for Deutsche in 1987, I quoted a statistic from the first year bond numbers were made available, 1972, showing that while market turnover grew a thousand-fold in that 15 years, the number of trading firms only increased by a multiple of four. Emphasising the trader's importance I said, “We should not forget, that no matter how sophisticated the technology, or how great the transparency, or how huge the turnover may become, prices do not appear by magic.

For regardless of how many people see the same facts at the same time, it is given to few people, creative and intelligent traders, to have that innate capability to think - to feel- and to act to put up that all important price. Such people, a mixture of trader, salesman and analyst, will always be a firm's most precious asset. Ain't that the truth. Well, that's how it was, but not having been in a trading room for decades, how sad would it be, if, in today's brave new world, it's now the computer that makes prices appear, as if by magic.

So finally, let me say that in our day, we traded in a system with very few constraints on any of our activities, and I loved every single minute of it, although I would say to those still in today's industry, working under the increasingly dark, and seemingly inescapable, shadow of the European Union. That, I – do – not - envy – you – one - little - bit.

Thank you for listening.