

Success Interview with Roger Hambury of

Roger was interviewed by Simon Dixon, Head of Training at Benedix



I met Roger, a sales trader, on the City Index trading floor in Moorgate. During my days as a market maker City Index was one of our biggest clients. Roger has worked his way up from the bottom working in a number of different markets, for a number of different companies, with a range of products in a number of countries. Roger shares his insights in what it takes to make it to the top in trading.

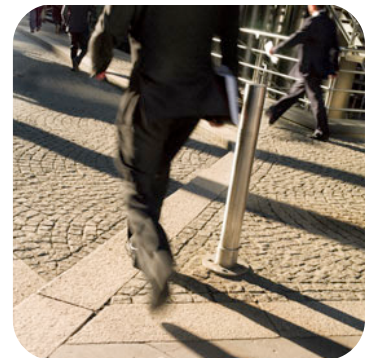
About Benedix Success Interviews

At Benedix, we have passionately pursued the answers to the questions, "What makes City leaders? What do top achievers in the City do differently? How can we achieve and get the same results?"

By meeting top City leaders, from the lessons of top business people and the research of psychology and peak performance experts we have seen that City leadership is a skill that can be acquired through a commitment to self-development and carefully spending your time learning the lessons of leaders in the finance sector.

We are proud to publish these interviews for those who seek a career in finance in the City. The interviews are to be used in order to gain a greater understanding of individual roles within the City and most importantly to model success. There is a science to achievement and by learning from those who have already produced the results you want, your path to success in the City will be faster. To "reinvent the wheel" is to duplicate a basic method that has long since been accepted and even taken for granted. There are plenty of wheels to be taken from our interviews with City leaders.

We believe that when you apply yourself to learning the skills of



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those who achieved highly in the City your long-term success in finance is guaranteed.

Simon Dixon of Benedix: Could you tell me a little bit about you, and how you've come to be Trading Director at City Index.

Roger Hambury of City Index: Sure, I've pretty much been in the City since the age of 18. I didn't go to university; I left school after my A-levels and went straight into the City due to family. My family was in the City so I've been involved in the stock market, probably from the age of 13, just buying and selling shares. I was given some shares at the age of 13 and I learnt it that way.

SD: Were you investing your own money?

RH: Yes, I was given some money and started investing it. I got wiped out in the crash of '87 and lost every penny, but it was good education. I've worked around the world for my education, rather than at university, which is probably not a good thing to tell your people but that's the way I did it. I worked for 3 years on the trading pits, and then New York. I went into the derivatives area 20 years ago; futures and options is where I learnt my trade, and really progressed from there.

I did 5 years working my way up in a stock broking firm. I started out in the post room and went through every single aspect of the business - that was really my father's idea. You have to learn every single aspect of the business, you can't obviously just walk straight into a dealing room.

SD: So did you start in back-office?

RH: I was in the back-office doing dividends, checking, nominee accounts, I was a messenger - you had to run around the City handing out cheques to different clearers.

I went to City University at night; you had to take exams to become a general rep, especially to advise, with all the regulations. When I passed that, that's when I went onto the dealing floor.

Dealing's always been something that I've really enjoyed doing. There are loads of different jobs in the City, from sales to back-office, front-office, middle-office, but it was always dealing that really appealed to me. I was never specifically strong in maths, it was more mental arithmetic - I couldn't work out if Johnny and Susan took the same train and

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went different directions where they would end up, but if you want me to tell you if a guy's paying 5 ticks commission on a £60 million deal, I can tell you how much he's paid but if that was in a maths exam I probably wouldn't be able to tell you. I think it's just the mental arithmetic, and the pressure – it's very exciting.

SD: Do you work in CFDs or spread-betting?

RH: I set up a company called IG Markets, now one of our competitors, which is IG Group. I had worked at Berkeley and I'd set up my own firm overseas, in the Bahamas, and Berkeley bought half of that. I was coming back to run the dealing of Berkeley when I got poached by IG to set up this thing for CFDs.

SD: Was that during their start up?

RH: Well IG as a spread-better existed, they were the first one, but they'd never done CFD's and they wanted to set it up as a separate company. You had IG Index which was the spread-betting and IG Markets which was the CFD's. I went for my interview there and they tried to poach me. I thought it was certificates of deposit, as in swaps, that they would trade – I'd never heard of CFDs, equity

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derivatives, so I obviously learnt what they were during the interview and managed to bullshit my way through. I got the job.

They exploded! CFDs were unheard of for retail – they’ve been around for years with the hedge funds – and it just grew enormously. Then I got poached by City Index, who had a CFD desk – an equity operation that was very small. We’ve built that up into a big operation as well.

SD: You work in CFDs now?

RH: I’m Director of Global Dealing now, so I run foreign exchange, CFD’s, spread-betting indices – pretty much everything now but initially it was CFD’s. I would say Berkeley Futures was my education into derivatives and also my education into sales trading, which is not sales and it’s not dealing – it’s a combination of the two. That’s really what I do; speaking to clients, discussing the markets, keeping them in touch with the markets, basically looking after them.



SD: On the desk, would you call yourself a market maker or a sales trader?

RH: No, I’m called a sales trader. You’ve got the market makers who are running our risk, so they’re running our book, and all the orders coming in are going into our risk system and they’re deciding what they’re hedging and what they’re not going to hedge. So a market maker is like an ex-LIFFE trader – he’s got to have that extremely sharp brain

because he’s competing against thousands of other people very quickly. You’re going to have somebody shouting at him asking for a price, and he’s got to make that price and stand by that price, plus he’s monitoring all his risk. The sort of brain that seems good

for that is more analytical. My head of UK equity risk is a qualified barrister and a qualified accountant, so they’re much more analytical and they’re probably a bit more stable than the sales traders and the dealers. Dealers are order placers; they’ll take hundreds of calls all day just placing instructions in the market, they have a lot of client contact but not so much. A sales

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trader would be given clients – if you have a high net worth client, he's going to want to be kept in touch all day of what's going on in the market, what his positions are and what he's interested in. He may say to you, "call me if Vodafone hits 180", so you've got to remember to call these people. It's all about loyalty and giving a good service because now, competition wise, everyone can offer the same commission rates and margin rates, it's really that they just want to speak to you – that's what I do now, aside from running the dealing.

SD: So it's a lot of relationship management?

RH: Yes.

Faye Schua (of the Financial Services Skills Council –

FSSC): You

mention all about the soft skills and analytical skills. In terms of technical skills, are there specific skills that you require, and are they actually used in the workplace or not?

RH: Yes, the most important one is the regulations exam because the FSA rulebook is

about 19ft high – that's why there are loads of compliance guys. The guy on the desk has got to know what he can say, what he can't say, he's got to know what the rules are re: market abuse, insider dealing, money laundering - there's a huge amount that everyone has to know so that we're not breaking any regulations.

The exams teach you all the different aspects of orders; stop losses, limits, stop sells, stop buys – what they are, what they mean. The reason we prefer to take on a graduate rather than anyone else is because they're a blank canvas. They are educated up to a certain

standard – we look for languages, we look

for maths – but you can take 5 graduates and the 5 of them

will start on the dealing desk and one will go into customer services, one will go into market making, a couple will stay

as dealers and one will become a sales trader. It's the

character more than anything, how they are on the phone. Some people like talking to clients, some can't handle the pressure of market making, some can't handle the aspect of a client losing a lot of money and how to tell him that he's lost a lot of money, it's all



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those aspects of the business. How do you tell a guy who's just dropped £10 million not to close his account? There are people that have to do all the margin calling where they have to call the client and say, "if you don't send us the funds that we need, we'll close your position". It's quite hard to do that – you're wiping someone out. It's all different character traits that you need as well.

I think the exams are very good for giving them a base of what they need to know, but you never know until you get them on the desk.

FS: But there are no specifically technical competencies that a person needs to be a good trader or a good salesperson?

RH: It's not going to help you a lot. The one thing that a dealer has to have is common sense and you can't be educated for that. We've got guys out there that went to Eton, we've got guys out there that went to a comprehensive. The hardest thing for these guys to do is to come up to me and say, "I've made an error. I've just lost £50,000 because I put a trade in back to front. Some people try and hide it, some people will lie about it – you can't have people like that in your operation – and I

don't know where that comes from.

I think that with a graduate who's been in the education system, whether it's private or public, he's still got all that way through university but the best dealer I've got, he just came straight here; left school at 16, but he's incredibly hard-working and doesn't make mistakes. Will he be a good sales trader? – probably not, because he wouldn't know how to talk to a billionaire on the phone.

You hear these sales traders and they'll switch from accent to accent depending on who they're talking to. You may have a self-made man on the phone who doesn't want to speak to Lord Fauntleroy who was at Eton, he wants to speak to the man on the streets.

Technically, I don't know what they need really. In the interview we obviously set



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them some aptitude tests, they have maths tests, they've got to have a certain level of education, as I say they've got to have a certain level of common sense. Most of the guys on the aptitude test will hit about 85-90%. One guy who I thought was great in an interview, he got 5% so we couldn't take him on, and another guy was good but he lied on his CV. I'm never really sure, which is why you have the 3-month probation period. You can have a guy who's brilliant in an interview, and just goes to pieces when it's busy on the desk.

SD: In terms of your clients at City Index, is it mainly retail clients or fund managers and institutions?

RH: It's across the board; the retail business is probably 90% of our business but the 10% of institutional and high net worth gives us a huge amount of P&L. We're the largest CFD clearer in the country purely because we deal for all the banks so there is an enormous amount of retail. Retail trade on the internet; 70% of our business is on the internet, you don't even see it, it just flashes through and goes into our risk system. If you came in here in 5 years time there would probably be half the people here because it's all computers. The main

business is managing risk, sales trading and dealing.

SD: So in terms of a market making, is a good market maker judged purely on good P&L?

RH: Pretty much, yes - they're only as good as their last day. We monitor them every single day and at the end of the year we see how much money they've made. We've also got to have the systems that tell us, because we have to strip out all the spread, the commission, the funding, we want to know specifically that they've made a decision and they've made the money.

SD: So if they make a sustained loss they would be a bad market maker?

RH: Yes, pretty much.

FS: Even if a tough environment?



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RH: We'll judge them over the year, but after a couple of months, if you've got a guy running a book and he's made a loss every day, you've got to start to question - this guy's probably not a very good market maker.

SD: **So a sales trader is judged on how well they can maintain relationships and how often the client comes back again and again.**

RH: Every month, if they've got a book of 50 clients, we can see how much commission these clients produce, we see how many phone calls they've made to the client and how many have been received. So if you've got a guy who puts in £10 million and the sales trader speaks to him once a month and yet the guy trades 50 times a day, you're not really going to reward that sales trader



because he's not doing anything, he's only made one call. You can see a pattern; a graph of how many phone calls and how many trades the guy has done and when he loses, does he come back? It's quite technical how we judge them, it's not purely on how much commission, but you can tell pretty much if they're working or not.

SD: **Does that involve a lot of corporate entertainment?**

RH: There's not as much as there used to be. We tend to do big days - we do a big golf day, we do a track day, we do Ascot, but going out on the lash every lunchtime doesn't really exist any more. It's much less now, but that's because no one really drinks anymore; it's very rare to go out on a massive night out. You read in the papers about all the stuff that goes on in the City, but it's not like that anymore, maybe on a Thursday night but that's about it. Unfortunately, it's just hard work! Very long hours...

SD: **What are the hours?**

RH: It can be anything - average is probably 12 hours a day, but a normal dealer will probably do 8-9 hours a day. Say a guy starts at 6:30am, he'll leave at 4:30pm, but if at 4:30pm the Dow Jones is crashing and it's

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down 500, I'll look around to see who's still sitting there. If a guy gets up and puts his coat on at 4:30pm even though the markets are just collapsing, the phones are ringing off the hook, you've got a pretty good idea how far that guys going to go – not very far. A nine-to-fiver is not what you want sitting on a dealing operation, you want a guy who's prepared to sit there until 1 o'clock in the morning. There seems to be this concept that if there's a bonus, you get a bonus. Well you don't – if you're paid to work from 6:30 in the morning to 4:30 in the afternoon and you do that job and you do it well, great; why are you going to get a bonus? Bonuses are if you're doing above and beyond what you're paid to do – there are guys out there who work there arses off and they get good bonuses, and there are other guys who do their 9 to 5 and just get the standard bonus. That's the beauty of this job; you make of it what you want.

SD: So you get paid what you deserve.

RH: For my first two years at Berkeley, my hours were 8:00am to 4:30pm and I came in at 6:00am and I left at 9:30pm every day. I wasn't doing anything after 4:30pm, but I was sitting with the other guys at the desk learning what they were doing and how they



were doing it.

At one point, for about 6 months I was running a 24-hour FX desk. So I'd be in at 6:30am, go home about 7:00pm, go to bed, get up about 10:00pm and the phone would start until about 4:00am. However much you want to do, you do, so there are guys out there that do that and guys that don't. That's why I love this job because I couldn't do a job where, no matter how hard you worked, that's what you're going to get, whatever you do. I wouldn't work very hard if that was the case!

FS: You mentioned how you started off in the back-office first. Did you have difficulties moving from back-office to trading?

RH: Yes, I had a few. A lot of our dealers

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come from customer services - that's where they get their grounding. They're talking to clients but the client's talking to them about the systems - they get complaints - it's quite a tough job. They all want to get onto the dealing operation, and some of them move over and then move back, because it looks great fun but sometimes it's not; it's a lot of shouting, a lot of screaming, a lot of pressure. A few of them make it and some don't, they just go back.

FS: Do you think it's a good route to start off with, for somebody who's quite new in the financial services industry?

RH: Yes, because what they've got to realise is that if they're trying to get a job and go straight into the dealing operation there are a lot of people in customer services and on new accounts, etc, waiting to go onto the dealing list. Every job we've obviously got to put out internally before we put it out externally. A lot of the guys have come in here for an interview for a customer services role and I know that they've come for a dealing job, which I don't mind - it shows a little bit of nous that they're going through the back route, but some of them are good enough that we just take straight onto the dealing desk, graduates mostly. If a graduate

is going to start off as a junior trader for Goldman Sachs, whoever, they're going to be waiting for years but if they look for a back-office or middle-office role there's probably quite a few out there. They've got to spend a year doing customer services but they're there, they're on the ladder.

My first job was a sales job, I'm crap at sales; just phoning up, cold-calling somebody, it was horrific but it was a way to get in.

FS: You mentioned graduates. What background, on average, do they come from? What area of study?

RH: It tends to be economics. I did economics, a degree in it, and I can't remember anything that I've used from it out there, but I just think it's a grounding, I'm sure it's a good grounding for them.

FS: Typical universities - red brick or all over the place?

RH: It's all over the place actually. It's rare we get the big ones; I imagine they're just all taken out by the big guys, but I think that will slow down a bit.

SD: Agreed, on my market making desk I was one of the only ones with a

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degree.

F: Normally sales and trading don't have degrees, but when you have the research or the quant side it's most likely they will have. Where I came from, it's all degrees – I need someone with a maths degree.

SD: Would you recommend working for a mid cap financial company over the larger investment banks?

RH: The thing we like about here, to get things done and get a decision, you could get it in 2 hours, straight to the CEO. We're seeing more and more, because there are clearers, to get a decision takes weeks. We clear for Barclays, that was 67 meetings, our record.

SD: I've just got one final question. The guys on the desk, are they split up into markets, or are you doing everything? Are they doing commodities, FX, equities...?

RH: The market makers have specific areas, so commodities, indices, equities, and then the equities are split US, European, UK. The front line dealers do everything; they'll take an order in FX, then indices.

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