'Catch Them Young' – The Career of Robert Stein

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At a time when the UK is undertaking divorce proceedings with the EU, we look back at the career of Robert Stein, who began his career in the early 1970s just as the UK was in the process of negotiating membership of the EEC.

Bullion trader Robert Stein unusually did not begin his career at one of the five traditional market fixing companies of the City of London. Instead, he entered the Chase Manhattan Bank in 1971 – a year that marked a new era for British economic, social, political and popular cultures. It was the year when Chancellor Anthony Barber, appointed by Edward Heath, oversaw a major liberalisation of the banking system. Showing the eagerness of the Conservative party to join the EEC, Barber gave the economy 'a nudge in the right direction', abolishing Purchase Tax and introducing Value Added Tax (VAT). Later that year, Geoffrey Rippon, the Cabinet's EEC negotiator, declared that a very satisfactory deal had been reached for Britain to join the Common Market. Subsequently, a House of Commons voted 566 to 244 to back this move. Pounds, shillings and pence gave way to the new decimal currency. The media branded Education Secretary, Margaret Thatcher, the 'Milk Snatcher'. Rolls Royce, the symbol of British engineering excellence, collapsed. Astronauts drove on the moon. Fashion revolutionary Coco Chanel died at the Ritz in Paris. Hot pants were the height of fashion. The charts included Middle of the Road's Chirpy Chirpy Cheep Cheep, T Rex's Get it on and Benny Hill's Ernie (The Fastest Milkman in the West). Manchester United's legendary forward, George Best, became the first victim of the 'referees' revolution', being sent off the pitch as part of the FA's determination to bring the conduct of players in line with their continental competitors. 1971 was also the year that the Bank of England applied Competition and Control Credit,

Robert Guy, former Chairman of the LBMA, featured on the left, with Robert Stein.

replacing controls on borrowing and competition for credit by means of interest rates. The intention was the breaking down of functional barriers between the clearing banks' cartel and other finance companies in order to create a uniform credit market allowing market forces free rein.[1] Generally speaking, the reshaping of the City had begun as protected markets started to open up to the new possibilities appearing with the prospect of 'cross-border' lending and international funds seeping into London from American and foreign banks.

Robert joined Chase Manhattan Bank in April, much to the despair of his parents – both were doctors and wanted him to pursue an academic career. He had announced on leaving school at 18 that his preference was to pursue a career in the City, rather than follow the preferred destination of many of his contemporaries who attended University. Robert did not fully turn his back on his studies. He subsequently enrolled at the Institute of Bankers, working by day and studying by night to gain his banking qualifications. Responding to an advert placed by Chase Manhattan in one of the national papers for young, progressive, potential bankers, he was offered a job two days after his interview and, better still, on his first day at the bank was given a pay rise.

'Catch them young' was the recruiting policy of many of the City's commodity firms.[2] In 1973, Robert moved to the well-known merchant bank, S.G. Warburg, and after 18 months, he moved internally, joining the trading desk at the London Metal Exchange (LME) trading company Brandeis Goldsmidt, a subsidiary of S.G. Warburg. Brandeis dealt in LME metals in addition to the rare and exotic. This global company employed approximately 150 people, principally in London and New York. Thanks to Chief Executive Walter Rothbarth, who happened to be a distant relative by marriage, Robert was recruited internally to Brandeis where he was first exposed to trading gold and silver. He had the privileged position of sitting next to Walter in the trading room. Robert recalled how one day Walter said "let's get involved in the gold and silver business", even though at the time the company's principle activity wasn't gold and silver. It was his exposure to the bullion market over the next five years that led Robert to join Derby & Co. in 1979. This was at a time when after the London bullion market closed, the American gold market extended the trading day and the emergence of the Hong Kong market led to an earlier start, thus a new trading framework for a round-the-world and round-the-clock trading day developed.[3] Gold proved an effective hedge against the weakening dollar. As the price of both gold and silver increased, more firms were eager to exploit this profitable market (in 1980, gold hit the record price of $850 an ounce). In 1979, Prime Minister Margaret Thatcher swept away the UK's exchange controls. Thereafter,

1 Offer, A., *Banking, Real Estate, and Financial Stability in the UK* c.1870-2010 in ed., N. Dimsdale, & A. Hotson, British Financial Crisis Since 1825 (Oxford: Oxford University Press, 2014), p.166.

2 Irving, J., *The City at Work*, A guide to the institutions that make up the City of London and their roles (London: Andre Deutsch Ltd., 1981), p.174.

the London bullion market was open to the world, competition increased and foreign banks scrambled to establish London dealing rooms. Throughout much of the 1970s, there were only seven or eight dealers handling all gold and silver trading.[4] The role of the bullion dealer is learned rather than taught, so the recruitment of staff came from within the London market as the American houses came in.

Other than the five fixing members, Derby & Co. was one of the first firms since the introduction of exchange controls in 1939 to be authorised as a dealer in gold by the British authorities. Initially owned by Engelhard, by the late 1970s, Derby & Co. had become a London subsidiary of the American firm Philipp Brothers. Guy Field, formally of Samuel Montagu, was engaged to set up the gold dealing operations on Derby & Co.'s behalf while Robert was recruited to run the silver book. Just after his joining the firm, the Bunker Hunt crisis hit the market. Hunt and his brothers had been accumulating large amounts of silver and by 1979 had nearly cornered the global market. It was estimated that they held a third of the entire world supply. Prices of silver futures contracts and silver bullion rose from $3 in early 1979 to $11 in September and to a record high of nearly $50 an ounce in January 1980. In response to this large accumulation, COMEX adopted 'Silver Rule 7', which placed heavy restrictions on the purchase of commodities on margin. Over the next two months, the silver price collapsed. It was on 27 March 1980 – 'Silver Thursday' – that the greatest single drop in the price of silver occurred. The Hunt brothers, who had borrowed heavily to fund the purchase of commodities, suffered as the price fell and they were unable to meet their obligations, causing panic in the markets.[5]

Robert was involved in liquidating Hunt's silver positions. For him, it was an interesting period and a baptism of fire, as he suddenly found himself with a huge responsibility for a very important asset which the firm had to manage. Following the collapse in the price, silver remained depressed in the main for the next 20 years.

In 1981, Philipp Brothers purchased Salomon Brothers. In a quirk of fate, between 1981 and 1985, a reverse takeover took place when Investment Banking became the dominant partner as Commodities Business went into cyclical decline. Salomon then became the dominant partner and Philipp Brothers became a division of Salomon Inc. By the early 1990s, it had almost completely closed down the metals business but retained its thriving energy business.

Robert kept one step ahead of this development, moving to Goldman Sachs

The Derby (Phibro) dealing room in Moor House in 1983. Pictured left to right are Trevor Clein, Martin Turner, Vincent Thompson, George Pajak (sadly deceased) and Jeremy East (doing a very plausible impression of George Osborne).

in 1989. He recalled that the recruitment process had been more intense than his previous appointments. While some people reported undergoing 25 interviews before being hired, Robert had a couple of interviews in New York and three or four in London. Again, he joined at an interesting time in the firm's history. There was a lot of integration going on, specifically at J. Aron, which had been gobbled up in 1981 by Goldman. When Robert joined, the division was headed up by Dennis Suskind and after his retirement by Lloyd Blankfein, the current Chairman and CEO.

In 1994, Robert moved to AIG and accepted a new challenge, spending most of his time covering central bank gold reserve management. He was involved in this business until 2006, moving internally from AIG Trading in 2003 to AIG Financial Products for his final three years in the business after internal changes at the firm had taken place. At the time when AIG decided to become the sponsor of Manchester United, it was to Robert they turned to and asked to set up the private bank in London. Although not a well-known name at that time in the UK, AIG was very well known both in the US and the Far East. Robert didn't need to be asked twice when the Chief Executive of AIG private banking in Zurich, Peter Wild (also an ex-bullion trader with Julius Baer), called him up and asked him if he "wanted the Man U job". At first, Robert thought he was missing something. "Do I have latent talent as a football manager or is Sir Alec Ferguson about to resign?" After his flippant comment, it took him 10 seconds to say "yes", turning his back on over 30 years of commodity trading. This project lasted until September 2008 when it was abandoned during the financial crisis and Robert's exciting project sadly never came to fruition.

Robert has continued in the football business since this time and works independently with a partner on financing international football transfers and accelerating broadcasting receivables for major clubs. He has now been a season ticket holder at Chelsea for 52 years and is also an MCC member, combining his love of sport with his business, Harewood Global Sports Ltd. He shared that "after all those years working for somebody else, it is now rather nice being accountable only to oneself".

Reflecting on his career in commodities, it was the periods of crisis that stand out most for Robert. The market was able to withstand the shocks and survive the Bunker Hunt crisis, the collapse of Johnson Matthey Bankers, the demise of Drexel and the Brink's-Mat robbery. However, the major event that stood out was regulation, which followed the introduction of the Financial Services Act of 1986. Whilst in many ways it was positive, it also brought new challenges that took up a lot of man hours as each firm was undressed by the authorities. The introduction of Compliance Officers was one new aspect of business, making sure firms operated in a proper manner. During his time in the bullion market, Robert sat for several years on the Board of the LBMA, for a time he was the Vice Chairman and he also chaired the Finance Committee.

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3 Harvey, R., *Duty to the Firm and Market, The Subnational and Sociocultural Constitution of the London Gold Fixing* (The University of Chicago: PhD Thesis 2008), p.233.

4 Ibid., p.231.

5 Time Magazine, May 12, 1980, 'Bunker's Busted Silver Bubble'.