

# **TARNISHED COPPER**

**By**

**Geoffrey Sambrook**

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## Prologue

March 1988

The group of graduate business students were welcomed into the London Metal Exchange boardroom by one of the Exchange's marketing staff; he was a young man, well-dressed in a stylish German suit and Italian silk tie, but also with a rather pompous air to him.

"I'm pleased to see you all here," he said. "Welcome to the LME. I'm glad you took advantage of the opportunity to come and see our market, because sometimes we feel we're a bit of a cinderella amongst London's Exchanges, one that most people are not really aware of." He leant forward, to emphasize his point. "And yet, we're one of the City of London's success stories. We are the premier global price setting mechanism for primary base metals, that is, copper, aluminium, tin, lead, zinc and nickel. These are all essential products for an industrial society, and they are mined and smelted all over the world. However, when it comes to establishing the price for them, there is no competitor for the LME. Later on this morning, we're going to go and look at the open outcry market, where the dealers make their trades. You'll see how they scream and shout at each other in what we call the Ring. They trade each metal for a five minute Ring in turn, four times a day. The final bid and offer price in the second Ring for each metal in the morning session then becomes what we call the day's

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official price.” He paused for effect, and looked appraisingly round at the fifteen or so students. “This is the price which is used by producers and consumers worldwide to make their purchases and sales of metal.” He paused again, to look meaningfully at the faces in front of him, “That gives us a unique position as the only Exchange in the United Kingdom with such a global reach.”

One of the students leant to whisper in the ear of the attractive girl next to him, in a Michael Caine voice, “And not a lot of people know that.” She tried to hide her giggles, earning a censorious look from the LME spokesman, who continued, “But we’ll see that later. First, we’re going to go next door, where we’ve set up a question and answer session for you about futures and options pricing. So if you’d just like to follow me...”, and he led the group of City University Business School finance majors out of the panelled boardroom and into a smaller conference room, set up with chairs, tables and an overhead projector.

Meanwhile, down at the other end of Fenchurch Street from the LME, one of the dealers the spokesman referred to was having a rough morning. Jamie Edwards was accepted by his peers in the market as one of the most talented dealers in the business, but he was getting a serious dressing down from his boss.

“Jamie,” said Terry Prichard, managing director of Myerson Brothers, “your performance is not up to standard. You’ve been losing money too often, and you know why. I don’t want to do this, but my co-directors have left me with no alternative.” He tugged to loosen his already slackly tied tie. “This is an official warning. Unless you pull yourself together, you’re going to leave Myerson’s.” He held up his hand, as Edwards started to object. “For God’s sake, Jamie, you know what the problem is, and you can’t expect me to go on making excuses for you if you won’t help yourself. It’s the drugs that do it. Just get yourself under control.”

Edwards left the room. He knew Prichard was right - at least, right now he did. But when he craved the cocaine, his whole perspective was different. He sat down at his position on the

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dealing desk, and mechanically worked through the morning, making prices for Myerson's customers to trade.

Back at the LME, one of the students put up his hand. The LME official nodded for him to ask his question. "You've explained about pricing deals, but it seems to me that it only works during the open outcry market, down on the Exchange floor. What happens for the rest of the day - like now, for instance? How does it work if I want to buy some copper now?"

"OK," said the guide, "that's a good question. The way it works is that the dealers will be in their offices, and they trade with their customers and with each other over the telephone - just like they do in the foreign exchange market. With a Japanese, for example, you've got a big time zone difference to accommodate, so if he wants to buy or sell copper, he can call his broker/dealer, and ask him for a price. If he then trades, the broker has the opportunity to ask for a market from one of his peers - so in a way, they are all working together, even though they have different clients. Although some of the clients will trade with more than one broker." He paused, and then added, "That's what's going on at the moment, in the brokers' offices. Then, late morning, they will come down to the Exchange, and the day's official trading will begin. The volume of trades is about evenly split between the office market and the floor market."

So, at about half past eleven, it was time to head down to LME floor. Jamie Edwards took the lift down to the ground floor, and out into Fenchurch Street. He followed the street along, past the various office buildings and shops, pausing to look at the jewellery and watches displayed in Mappin and Webb's window, and arrived outside the door of the Wine Lodge, a pub popular with the market traders. In he went, and one of the group of London Metal Exchange traders standing by the bar thrust a pint of beer into his hand. "There you go, Jamie, get that down you", he said.

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“Thanks, Ferret”, replied Edwards, “Anything interesting happening at your place this morning?”

Ferret - Peter Bantry - was a small weasely looking man of about thirty. He was the senior copper trader at Union Metals, one of the larger and more flamboyant broker companies on the Exchange. It was owned by one of the major Wall Street investment banks, which gave its traders a lot of support in running big, risky positions.

“Nah,” he replied to Edwards’ question, “not really. A bit of a rumour from the Tokyo boys that somebody over there wants to get this market up. I don’t think there’s much in it, but I wouldn’t be too short at the moment. ’Ow was your weekend?”

They made a strange pair, but they had struck up an immediate friendship when they first went onto the floor as junior clerks. They came from totally different backgrounds, Edwards the son of a successful surgeon, educated at an (admittedly minor) public school, and Bantry, whose father was a cab driver and who came from the more traditional LME traders’ heartland of suburban Essex. Nevertheless, they had discovered soon after they first met standing in neighbouring booths on the LME floor that they shared common interests in drinking and gambling.

“Weekend was alright, but I got another bollocking from Prichard this morning”, replied Edwards.

“Same old thing, yeah?” Edwards nodded his agreement. “You got to get your brain in gear, Jamie. You’re too old for all those games now. You have to learn to be serious about it now, if you want to carry on making money in this business. You get enough orders from Phil Harris to keep you in profit. Just settle down for a bit, execute those orders and don’t give them any more reasons to have a go at you.”

“Yeah, I s’pose so”, said Edwards. “Come on. Drink up. It’s time to go.”

They both finished their pints and followed the general movement out through the door and across Fenchurch Street.

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Walking through the doors of Plantation House, they turned to the left into the foyer of the London Metal Exchange. They passed the display cases containing samples of the various metals traded by the exchange, and walked through the single door in the corner out on to the trading floor. In front of them was a circle of red leather seats, and behind these a rank of booths whose walls were festooned with telephones. In the gap between the two, various clerks and dealers stood chatting, seemingly aimlessly. In the Ring, as the circle of seats is known, about eight or ten young-looking men and women sat, staring down at the notebook they each held in their lap. The clock on the wall above showed 11:53, and in the illuminated panel immediately below it the alchemists' symbol for tin was lit up. The clock flicked over, and the dealers started to come to life. Tin was not a busy market, but nevertheless some bargains were struck before the bell rang as the clock moved to 11:55, and the symbol switched over to indicate the beginning of the aluminium ring.

Up above them, shielded from the market by a glass wall, the students were shepherded out into the viewing gallery by their LME guide. "What you can see in front of you," he began, "is the Ring, where the open outcry trading takes place. That symbol on the wall over there" - he pointed - "tells you which metal is being traded. At the moment it's aluminium, which is probably our second most important commodity. When this finishes, then we'll move into copper, which is our flagship. You can see the dealers sitting in the Ring, and you can hear through the microphone relay what they are saying."

The attractive girl spoke up, "What are all the other people doing - the ones round the edge? They look as if they're just chatting."

The guide frowned at her levity. "They're not just chatting. They are the clerks, and their job is to record the deals their dealer makes in the Ring, and then to agree them with their counterparties. It's a very important job, and all the dealers began their

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careers as clerks, before they were allowed to sit in the Ring. And the ones standing half in and half out of the booths are on the phone giving a commentary on the action in the Ring, either to their own office, or directly to clients. Some of the bigger clients prefer to listen straight to the floor, rather than go through an account executive up in the office. They'll also be trading currency hedges, because the LME still trades in sterling, whereas the majority of the brokers' deals with their customers are in US dollars. So when the dealer trades in the Ring in sterling, his clerk will immediately convert the currency into dollars. They call the dollar/sterling exchange rate 'cable'."

Meanwhile, Edwards had walked round the outside of the Ring to his company's booth, and punched a code into one of the phones. He got through to Phil Harris, an American who ran a highly successful metal broking operation in Munich on behalf of the U.S. bank Macdonald and Thompson. "Hi, Phil, off we go for the ally ring."

"I'm not too concerned with ally this morning," said Harris. "I'm gonna have some things for you in copper though. The Japs have been trying to buy from me for the last half hour or so" - this was the time Edwards had been in the pub - "and I'm getting a bit concerned that I need to get it back. Something is beginning to look a little like there's big buying out there."

"Yeah," said Edwards, "one of the boys at Union was just hinting the same thing. What do you want me to do - start buying the three months?"

"Yeah," said Harris. "Cable's going my way at the moment, so you can pay up to £985. Trouble is, I need to buy around four hundred lots by no more than that price."

"Christ, Phil, there's no way you'll get that much in. The last offer on the screen was £975. Four hundred lots in this market is worth more than £10." One lot of copper was 25 tonnes, so Harris needed to buy 10,000 tonnes. Every pound the market rose above the level where he had sold meant a loss to him of £10,000.

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“I know. So why don't you see how you go in the first ring, and we'll have another look afterwards. But don't panic it, Jamie - there's other buying out there. I'm trusting you. OK?”

“Alright,” said Edwards. “I'll see how I go. I'll give you Stumpy for the ring.” He handed the phone to the clerk who was standing next to him. “Phil Harris for copper, OK”, he said. “He's already given me some orders, but there may be more, so give him a good commentary.”

In the background, the clamour from the ring was rising. Aluminium was an active market. Edwards stepped up behind his company's seat and leaned over the shoulder of the dealer sitting there. “Rumour is there's copper buying around. Why not get a bit of ally in, in case it moves with it.” The dealer nodded, and Edwards moved back. His dealing skill was respected by his peers, even if his wild streak had created problems for him with his various employers throughout his career. They all agreed, though, that he dealt better in the mornings than after a good lunch - but that hardly made him unique on the LME. He was in his element down on the market floor. He was good at it, and he knew it. That's why he suffered the frustration he did. His current employer, Myerson Brothers, was one of the smaller brokers, owned by an industrial holding company that was highly risk averse, and therefore unwilling to allow its subsidiary to take much of a proprietary trading position. Edwards had last worked at one of the larger houses but had been summarily fired after his cocaine habit had become too obvious to the management. He owed his position at Myerson to an old friendship with Prichard, and to the fact that Phil Harris liked to do his ring business with him. That generated enough commission to make Edwards valuable despite the other considerations. Of these two factors, in the harsh, money-dominated world of the LME, Harris's patronage was the more important.

The bell rang, ending the aluminium ring. It was time for copper, and Edwards moved into his position in Myerson's seat. As ever, he had some minor date adjustments to make, to square up

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some of the positions on his dealing card, but apart from that Harris's buying was his major concern. Clearly from what Ferret had implied, Union also had some buying. If it was coming out of Japan, then Metal Trading - Japanese-owned - and Commet, with a strong Tokyo presence, would likely also have it. And how much had Harris put elsewhere? Edwards was well aware that his friend always hedged his bets by spreading his business around. One of the problems of being one of the smaller brokers with one of the biggest customers was that it was difficult to hide anything. As soon as he opened his mouth and started bidding, the Ring would put two and two together and guess it was Harris buying. Knowing he was a big player, any sellers would then back off and wait to see how high he pushed the market before they executed their selling. Edwards sat, looking disinterestedly down at the card and order book he held on his lap. He was waiting for someone else to start the market. Around the Ring, there was a constant to-ing and fro-ing of clerks relaying orders coming in from the phones to the dealers.

Ferret looked up, in the Union Metals seat; "Four I'll give, six I'll sell three months," he called across the Ring.

"Twenty I'll buy at six," from the Metal Trading dealer.

"Two lots," replied Ferret expressionlessly.

"Six I'll give," again from Metal Trading. As always, the dealers only used the last figure of the price, the rest - in this case nine hundred and seventy - presumed understood as a continuation of the last trade in the previous session. There were a few more small trades at six then at seven, and then the sellers stopped. Metal Trading bid the price up pound by pound to nine eighty-two, without buying anything more. It did not bode particularly well for what Edwards had to do. The clock flicked over to 12:04 - one minute of the Ring left.

Stumpy leaned over Edwards' shoulder. "Phil says have you done anything yet?" then as Edwards gestured at him in irritation, more urgently, "Pay up to seven, but get something in."

In for a penny, in for a pound, thought Edwards. "Five I'll pay."

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“Yes,” from one of the other brokers.

“A hundred lots,” said Edwards.

“Twenty,” from the other broker, as he was obliged to do, having yessed Edwards. No more was forthcoming. Only a few seconds to go.

“Give seven,” came from Ferret and suddenly as the bell began to ring, the noise level rose, and all the brokers were screaming to pay seven. No sellers, though.

As the sound of the bell faded, the dealers stood up and left the Ring, to be replaced by the lead traders. Edwards stepped back into the shelter of the box and took the phone from Stumpy. “Phil? All I got was twenty at eighty-five. At the end, everyone was bidding. Looks like the whole market’s short. Do you want me to try and get some in round the back or from the customers?”

“Yeah. As long as cable stays around here, you can pay up to ninety if you have to. Let me know how you go, and get me for the next Ring.” Edwards was left holding a dead phone as Harris hung up. Punching another button on the board, he connected onto the loudspeaker system up in the office. “See if you can buy any copper up to eighty-eight. Any offers at nine or o - tell me. I may need them.” The account executives up in the office would now call their clients and see if they could try to get them to sell anything. It was unlikely, since given the strength of the close of the first Ring, they would more likely wait to see if they could get a better price in the second one, at 12:30. Edwards leaned against the side of the booth for a moment or two, musing. What was all the buying? Who was so keen to get the copper price up? There had been rumours for some weeks of a big Japanese player flexing his muscles, maybe trying to dominate the market. But why now? The fundamental picture was not particularly bullish - demand stagnant, and supply if anything looking as if it was going to increase over the next few years as the Chileans once more cranked up their seemingly inexhaustible production.

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“Jamie!” It was Stumpy, holding a phone out to him. “Phil wants to talk to you urgently!”

Edwards took the handset. “Phil, what is it?”

“You’re gonna earn that big salary of yours now, boy. We - sorry, I - need that second ring close up above 1020.” It was the first time Harris had ever let slip that he might be working in concert with somebody else. “I’m going to give you 2000 lots to buy, to start with. See if we need any more after that. But - and don’t let me down - I don’t want to pay more than 1020. The close must be up there, though. Just for your guidance, I’ll be putting bits and pieces with some of the others, to see if we can’t get it moving for you.”

“What’s going on, Phil? That’s a hell of a lot of copper to buy. Who wants it up that desperately?”

“Jamie, just do the order, alright?” There was a hard edge in Harris’s voice. “You don’t need to know why. If I need to buy more, I’ll give the orders through Stumpy during the Ring.”

“You’re the boss.” It was a huge order, even by the standards of Harris’s normal big trading. If he got it right, and managed to hang on to the American’s coat-tails and buy some for himself as well, Edwards could probably turn around the losses Prichard had been complaining about this morning.

A couple of minutes before the start of the second copper ring, Ferret and some of the other dealers saw Edwards coming up the stairs from the toilets down below the LME. His nose was tinged red, and his eyes had a diamond-bright glitter to them. As they walked through the doors onto the trading floor, Ferret said quietly “For Christ’s sake, Jamie, isn’t it a bit early in the day for that, even for you?”

“Don’t worry, man, I know what I’m doing. Big business for the big boys today.”

Ferret shrugged, and turned towards his own company’s seat. One thing he had learnt from his friendship with Edwards was not to be judgmental. As Edwards had implied, he was a big boy now,

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and should know what he was doing. Such a waste of talent, though.

Up in the gallery, the students had been watching the succession of Rings. Nothing had so far really grabbed their imagination, and they were beginning to chat amongst themselves, rather to the chagrin of their guide, who would have preferred a bit more respect for his market. He spoke to them again. "Now we're coming into the second copper Ring, which you will recall is where the daily official price is derived from. That price governs worldwide copper trades done today. I should say that the market is fairly quiet at the moment, so although this is important, I'm afraid we may not necessarily see too much action. But keep your eyes and ears open as we approach the close, that's when the dealers will try to get the price they want for their clients."

The bell rang. The second Ring was the most important of the day, the last price quoted in it becoming the day's official price, the formula on which ninety plus percent of the world's copper was priced. Forget the Zairean or Chilean labourers sweating in the mines, what the international mining companies received for their products was decided by these twenty-odd young city dealers screaming at each other across this circle of seats.

Edwards bought steadily through the ring, and with less than a minute to go, he had got the price up to a thousand and ten. It was an impressive performance, his controlled aggression frightening the sellers into holding off to see when he would stop. He felt good, but the chemicals were beginning to take over. He was the King of the Ring. He could do anything. His voice became more strident, as he bought more and more, pushing the price closer and closer to his target. The clerks behind him recording his trades began to look concerned as the tonnage increased. Somebody had some selling, and Edwards was just soaking it up. On the phone, Stumpy said "Phil, he must have

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bought more than yours already, and we're still only at seventeen. Do you want to give him some more to keep him going?"

The voice coming back from Munich was dry and hard. "He's doing a good job. I don't think I need to spend any more money."

Edwards was screaming now, buying, buying, buying. Finally, as the bell rang to signal the end of the session, he did it, and the closing price was there - £1020-1021.

The whole Ring was staring at him, red eyes and running nose now, but a look of sheer exaltation on his face. Already, though, his senior clerk was tapping him urgently on the shoulder. "Jamie, do you know how much you bought? About four thousand lots." That was a hundred thousand tonnes of copper, over a hundred million pounds worth at the price he had just established for the metal.

"Never mind, I did my job. Phil's got the price he wanted. He'll take the tonnage." Edwards walked back to the box and took the phone from Stumpy.

"Congratulations, Kiddo," came the American voice. "I guess I bought my two thousand lots."

"A bit more than that, Phil, and most of it was between seventeen and twenty. I'll work it out and give you the final fill, but I reckon I had to buy upwards of four thousand lots to get it there. You should have seen the others, Phil, they couldn't believe I had the balls to keep going. But we all know I'm the best. None of them can stay with me. Your business and my talent - unbeatable!" He was still flying from the chemicals pumping through his blood. He had not taken much, but it had had the effect he wanted.

Harris's voice was flat. "I bought two thousand, Jamie. That was my order, and what you chose to buy is your own affair." The phone clicked and went dead.

"Jamie!" It was one of the clerks, holding out another phone to him. "Prichard wants a word. He thinks you've gone crazy."

"I'll call him back. Stumpy, what did Phil say during that?"

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“He hung you out to dry, Jamie. I told him you needed more ammo, but he just said you were going well and he didn’t need to spend any more money. What were you doing? Didn’t you know you were way over-buying? You’re going to get crucified on the Kerb. As soon as you start trying to get out of it, they’ll see what’s happened, and all pile in ahead of you.”

“Jamie!” one of the other clerks pushed a phone into his hand. “Prichard says he’s got to talk to you.”

“OK,” then into the phone, “Terry, yeah, what’s the problem?”

“The problem is I think you may have gone crazy. How much copper did you buy, and who’s it for?”

“Relax,” said Edwards. “I had a big order for Phil, and I bought a bit for us on the back of it. We should be able to get out of it on the Kerb, and hopefully make some money. There’s some big buying around, seems to be coming out of Japan.” He sounded a lot more confident than he felt, as the buzz from the drug was wearing off.

“I hope so, Jamie, I hope so. Otherwise remember what I said this morning.”

“Yeah, yeah,” mumbled Edwards as he hung up.

The students in the viewing gallery were enthralled. “Wooooow,” breathed the attractive girl, “if that’s a quiet market, how loud is it when it’s busy?”

The LME guide frankly didn’t know what to say. He had never seen a dealer perform like that before in his relatively short time in the Exchange. “Well,” he began “that was a pretty busy Ring in the end. The dealer who seemed to be doing all the buying is a chap called Jamie Edwards, from Myerson Brothers. If you remember when we went through who the broker companies were earlier, they’re normally regarded as one of the smaller ones. Obviously, today they had some very big orders. As you saw, virtually all the other brokers were selling to him.” It wasn’t his fault, but he didn’t really understand how the dynamics of the Ring worked: he was an administrator, not a dealer, and now he wanted to get his

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charges away, before they started asking questions he would struggle to answer. Jamie Edwards had a reputation he didn't think good for the image of the Exchange. He explained how the next trading would be the Kerb, where all metals were traded simultaneously. "It can get quite noisy," he said, "but we're not going to see that. We've got lunch now, and then some of my colleagues will explain something about our warehousing system."

He led them out of the gallery. As they left, the attractive girl cast a lingering look at Jamie Edwards, standing in the huddle round his company's phone booth. She would have liked to wait and see how the next session was.

In the background, trading in the other metal rings had been carrying on. Now, the LME official was standing at the podium ready to read out the official prices of the day. Most of the dealers ignored him, as his voice droned through the prices, cash and three months bid and offer for each metal in turn. They were all still watching the group around Myerson's booth, waiting to see what Edwards did when he stepped into the Ring for the beginning of Kerb trading. Eventually the official read the last price, three months nickel, and the dealers stepped back into the ring. There was a brief pause, then Ferret offered copper at 1023. Nobody took it, and he offered 1022, 21, 20. Still there were no bids.

Others started offering as well, and slowly Edwards walked into his seat. He actually didn't know what to do, but the market wouldn't wait while he made up his mind. Arguments with Harris, checking the taped phone conversations to see exactly what had been said - all that would come later. For the moment, the truth was that he was long something over fifty thousand tonnes of copper, and he was going to have to get rid of it. The problem was that the loss was probably going to cost him his job. He looked around the Ring. Commet was offering at 17, then 16, where he sold a bit to one of the smaller brokers. Commet should have been buying, if it was concerted Japanese action. It was looking as if the

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clerk had been right - Harris had bluffed him to get a high closing price to suit some physical pricings on the other side. Time to test the water - "15 I'll sell a hundred," he called across the Ring. There was a moment's hesitation, as the others recognised that the former big buyer was now turning seller, then pandemonium as they all started trying to sell. They recognised Edwards' problem, and they were going to try to capitalise on it. He was clearly going to have to sell, so the rest of the dealers would attempt to get in before him. Normal LME trading - see the other guy has a problem, and try and make it worse to make your own gain out of it. Stumpy leaned over, and said "Phil doesn't want to follow the Kerb. Says he's a bit tied up on the other line at the moment." Edwards nodded in acknowledgement. He had no alternative but to sell; he couldn't sit with a fifty thousand tonne position. They were all sellers now, and he joined in, offering the price lower and lower. That meant his loss was getting bigger and bigger. The chemicals were wearing off, and the adrenaline that had boosted their effect in the Ring was gone. Mechanically he sold the market down and watched his career go up in smoke.

The morning Kerb closed that day back at £975, where the first Ring had begun. Edwards got out for a loss of around thirty pounds a tonne, making about one and a half million in total. He lost his job, as expected. No-one really understood what had caused the blip, and Phil Harris certainly was not about to enlighten anybody. As always with these events, it entered into LME folklore, and the most popular story peddled by those who claimed to be in the know was that Edwards, high on his cocaine, misheard what Harris was telling him to do. Another favourite theory was that he just got confused with the numbers, for the same reason. The concrete result was the end of Myerson Brothers, whose parent company finally decided enough was enough, and sold the company for virtually nothing to a competitor. In fact, though, that day was the first real appearance of a rapidly growing power in the market.

## Chapter One

October 1988

The black Mercedes swung in through the open gates. The sign announced that this was the Firth-Johnson Clinic, but gave no clue as to what was practised here. Phil Harris looked appreciatively at the opulence of the grounds, and then at the elegance of the Georgian mansion that came into view as he rounded the last bend in the drive. He drew the car up amongst the others parked at the front of the house, and then headed for the front door. The pretty receptionist smiled at him as he approached the desk.

“Good morning. Can I help?”

“Good morning. Yes, I’ve come to visit Mr. Jamie Edwards. He’s not expecting me.”

“Certainly. If you’d like to step into the waiting room, I’ll fetch him. Can I say who it is?”

Harris smiled. “No, don’t tell him. I’m an old friend, and I want to surprise him.” The receptionist smiled back conspiratorially, and walked off towards the staircase. Harris went into the room she had indicated. If he had told her to give his name, Edwards would probably not have seen him. They had not spoken since that day in March.

He was standing looking out of the window when he heard the

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door open. "Morning, Jamie," he said as he turned. Edwards was clearly taken aback.

"Phil. You're about the last person I would expect to see. You cost me my career, you bastard. What do you want?"

Harris looked at him. "I didn't cost you your career. I may have pushed it over the edge, but what caused it was the same reason you've been in here for the last three months. Since I hear you're about ready to leave here, I guess you must be clean now. Anyway, why I'm here is easy. I was over for the LME dinner and I thought I'd take the time out to take a drive in the country to visit my old buddy."

"Well, while you're here, sit down. Would you like me to arrange some coffee?"

"I've got a better idea. It's a nice day and you've got some pretty grounds here. Let's go and have a walk." Harris grinned. "That's if inmates are allowed out, of course."

"Yeah, yeah," said Edwards, "Come on, then. Let's go outside."

As they walked out through the front door, Edwards pointed to the 500SL. "New car?" he asked.

"Yeah. Part of this year's bonus. You're a Porsche fan, aren't you?"

"I sold it before I came in here. This place isn't cheap, you know, and my father only agreed to pay part of the cost. But I think it's worth it. I feel pretty good, finally. I should be leaving soon, within the next week or so."

"Yes, that's what the doctor told me when I rang at the beginning of the week."

"You rang? Why?" Edwards was genuinely puzzled. The sort of business friendship he and Harris had had normally stopped dead as soon as one of the parties was no longer of any use to the other. It revolved around going to bars, restaurants and clubs together, but most importantly, trying to make as much money out of each other as quickly as possible. Why on earth would Harris waste his time on a burnt-out, reformed junkie ex-dealer, however good he may have been in the past. Edwards had basically reconciled

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himself to not working in the metals' business again. The clinic had been a rehabilitation of his life, not his career.

Harris said nothing for a minute or two, as they followed the path round between the house and what had formerly been the stable block, before it had been turned into an institution.

Then he started speaking, without seemingly answering Edwards' question. "The business is changing, Jamie, and I'm not sure how much you understand that. The LME doesn't know it's got a tiger by the tail. Those old fools who run it still think they're in the 1950s, where the good old boys sit on top and the barrow-boys in the Ring do their bidding. There is money there for the taking, for the few people who understand what the base metals business really is. I don't mean the few hundred thousand a year we've all thought we're rich on. I mean there is millions of dollars for the taking. Serious, I can do anything I like in the world, millions of dollars. But you gotta look at the business in a way that those blind, stupid men who run the LME won't even begin to be able to grasp. They're so self-satisfied all they can do is look in a mirror and tell themselves how clever they are." Edwards had always known Harris had little more than contempt for the institution of the LME - it was one of the reasons he insisted on keeping his base in Munich, rather than the more logical London - but there seemed to be something more at work than he had seen before. Harris continued "On your last day at Myerson's" - Edwards winced - "you lost what? A couple of million?" He didn't wait for a reply, but continued, "We made much, much more than that. And as time goes on, we are going to do it more and more often."

"Good. But why did you have to take it out of me?"

Harris looked at him for a moment, and then continued, seemingly on a completely different tack, "How much do you know about the copper business, Jamie? I mean really know."

Edwards shrugged. "Like every other broker, I suppose. Enough to know where it's mined, where it's consumed and how to trade it."

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“Every other broker knows nothing except the numbers in front of his nose. And for how to trade them most of them rely on somebody else. So-and-so’s buying, so-and-so’s selling, the mad Jap is borrowing - that sort of thing. They don’t have an original idea in their head, most of them. They just follow like sheep, because that’s how LME brokers made their money in the past. A nudge and a wink from somebody who’s supposedly in the know.” Another seeming change of direction - “Incidentally, what do you know about the mad Jap?”

“Yamagazi from Kanagi Corporation. He’s a big, big punter. Nobody really knows if he makes any money, though. He’s been trading for about nine or ten months, mostly through Union and you, and a bit through Commet. Why?”

“Jamie, that’s a typical LME broker answer,” said Harris. “Forget what he really does, and just focus on the LME part of it. Would it surprise you to know that he is the biggest supplier of physical copper into the Far Eastern market and looked on as a market guru by most of the Japanese, Taiwanese, Korean and south-east Asian consumers?”

Edwards shrugged. “If you tell me. All I know about him is that he throws some big volume around through those two, and is extremely difficult to get to meet. Anyway, why are you asking me about him? Is it just to show me I know nothing, or is there a point?”

“Yeah, there’s a point. Listen, are you allowed out? I mean really out, like can I buy you lunch?”

Edwards grinned. “Yes, I’m allowed out. I’m effectively cured. I leave here at the beginning of next week. No drinking, though. I have an addiction prone personality. To stay clean, I have to be abstemious - from everything.”

“That’s good. You know I hardly ever drink, anyway.”

That made them almost unique in LME terms, where at least half the lunches were exclusively liquid.

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They walked back towards the front of the house. “If you want to turn the car round, I’ll just go in and let my keepers know what I’m doing,” said Edwards.

“Where are we going?” Harris asked, as they drove off down the drive.

“Turn right out of the gates and about two miles down the road there’s a pub on the right as you come into the village. It’s got a reasonable restaurant attached to it. We may as well go there.”

Harris nodded. “Okay. Then I’ll start to tell you a bit more of what this is about.”

“Sounds good to me. This is quite a nice car, actually, isn’t it?” They discussed the merits of Mercedes sports cars for the few minutes it took to reach their destination, where they were shown immediately to a table in a typical, folksy old-world pub restaurant that was almost empty. The only other occupants were right over the other side of the room. Their orders were taken quickly, and Edwards looked expectantly at Harris.

“OK,” he said, “last time we spoke, you got me into serious problems and now you turn up out of the blue, and seem to want to tell me you’ve found the Holy Grail of metal trading. What’s it all about, Phil?”

“Jamie, to understand what I’m intending to do, you need to get out of the LME broker mindset. Insularity and laziness in the market - firstly amongst the big boys who run the companies and then trickling down to the dealers - has created a big hole where illusion has taken over from reality. The illusion is that the LME is the base metal market. The reality is that it is in essence just the price setting element. If you actually stop to think, the real market is the movement of metal around the world, from mines to end consumers.”

Edwards interrupted. “Not entirely. Some of the flows of metal are only justified by factors created by LME prices. Arbitrage shipments, from London to Comex, for example.” Comex was the New York Commodity Exchange, which also traded a copper

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contract; sometimes price differentials between the two were sufficient to justify moving metal stocks from one exchange to the other.

“You’re getting there, Jamie, but you’re still thinking the wrong way round. Instead of picturing a situation where LME prices dictate a physical metal operation, think of one where you already know your physical commitments, and using the LME price is how you are going to make your profit.”

“Phil, that means you’re going to try and take on the whole market. It doesn’t work. Too many people have tried it in the past, and it’s cost them fortunes. I thought you knew enough about the business not to come out with crap like that. I thought you said you were going to tell me something worthwhile.” Edwards’ expression was contemptuous as he spoke. “Maybe you can get away with it for a short while, a week or two, but in the end, the market always wins. It has to. That’s why there’s a market there in the first place.”

“In general terms, I don’t disagree with you. However, you need to look at the specific situation right now to understand what we’re able to do. And going to do.”

They paused for a minute or two while the waitress served them. Then Harris spoke again. “I guess I’d better start this off at the beginning, so you can get to understand what I’m talking about.”

“Always the best way, Phil,” replied Edwards.

“Okay. As I said before, you’ve got to think about what the business really represents, not just the LME punting that sits on the top of the pile. When I asked you about Yamagazi, you gave me the standard answer about trading on the LME - the futures market. But that’s less than half an answer. As I said to you, that company is rapidly becoming the major force in Far Eastern physical copper. Now you know yourself how big that market is - or you should. Taiwan and Korea import half a million tonnes a year each, Japan probably twice that plus concentrates to feed its own smelter production, Malaysia, Thailand and Indonesia are all

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growing at big annual rates. On top of that is the biggest potential of them all - China. At the moment, these guys have all been buying a chunk of their needs from the producers, at the average price of the year - good standard pricing terms that have been going on since the market started. The balance, though, comes from the physical traders and is bought on the spot price. But the traders decide when they want to sell, not the buyers when they want to buy. The result of that, as you can imagine, is that the buyers always end up uncertain of their supplies; add to that the natural oriental distrust of westerners, and you can bet it's not a happy relationship."

Edwards interrupted " Yeah, okay, but that's how the world's been for twenty-odd years, so it's not anything new."

"Sure. But just because something has existed in the past, doesn't mean it's always got to be that way. These guys in the Far East are getting stronger and stronger, you know. It won't be long before they're in the driving seat. Into the picture comes Yamagazisan, representative of Kanagi Corporation, one of the biggest and strongest of the Japanese trading groups. He tells them a different story. He tells them 'Come to me with your copper needs. I'm your friend. I won't exploit you like the western traders. I'll supply you with metal when you want it, not dump it on you when I want to sell, and then tell you it's so tight when you want to buy that I screw you for higher and higher premiums on top of the spot price. I'll take your long-term stocking and stock financing needs off your hands, because I'll always be able to supply what you want. Ignore the westerners, they don't understand our needs.' Bit by bit, he's getting the oriental market eating out of his hand."

Edwards again interrupted "Phil, if he's effectively going to finance the Far East's stock of copper, it's going to cost him money. You know that as well as I do. There's no magic formula that's different for Yamagazi than for anybody else."

"I've only given you stage one so far, Jamie. Eat your lunch before it gets cold. We'll do stage two and the clever bits in a

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minute or two. Meantime, what are your career plans?" Harris grinned as he waited for the answer.

A grim expression came over Edwards' face. "I don't know, frankly. I've been an LME trader since I left school at eighteen. I'm now thirty-two. That's fourteen years, and it's the only business I know. *I* can tell anybody I've cleaned up my act after three months in this bloody clinic, but who's going to believe me? I've caused too many people problems in the past, even though I've made good money for them as well. And you really screwed me up six months ago. I don't really think I'm going to get another job in the business. So I don't know where I'm going, but I still need money from somewhere. I'm not set up for life yet. You owe me one. What do you suggest?"

Harris held up his hands. "Okay, okay. I wasn't very kind to you. I do have something in mind, but we'll get to that in due course. Incidentally, did you know Terry Prichard's retired?"

"Yeah. He rang me and said he was going. I rather think he was retired, more than he chose to go himself. It's a pity. He was one of the few genuinely decent honest people in the market. I don't think he got on with McKee" - that was the head of the company which had absorbed Myerson's - "or the sort of business they do."

"Are you surprised at anyone not getting on with McKee? The guy's so arrogant. Assumes because he runs a big broker and is on the LME Board he knows more than the rest of the world. He's heading for a fall, I tell you."

Small talk and gossip about market personalities occupied them while they ate. Then, as the coffee was served, Harris began again.

"I'm leaving MacDonald and Thompson. Keep it to yourself, but I resigned this morning. They're still trying to persuade me to stay, so it's not public knowledge yet. And before you ask, yes this is connected with what we are talking about."

Although his face showed nothing, Edwards felt a flood of disappointment. The way Harris had been talking to him, he had allowed himself to believe that maybe the American had been

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going to recruit him for M and T. If he was leaving that wasn't going to happen.

"Okay, Jamie, as you rightly pointed out a few minutes ago, anyone who is going to look after the stock financing of copper is going to incur a cost. What we're going to do is manipulate things to make that cost bearable. Let me give you an example. That last day of your career" - he grinned again as he said it - "I told you I made a lot more money than you lost. I'll tell you how, and then you'll begin to see how you fit into all this. Yamagazi had told me early that morning that he had some big pricings" - that meant that as he had made sales of physical copper at the price to be determined on that day's official Ring trading, he had to buy to ensure he was hedged - "maybe around five hundred lots. Talking to all the brokers, you included, had made me fairly sure there were no major sellers around, so I was comfortable that I would be able to push the price up if I wanted. I also knew a little bit about your state of mind. I knew you were getting desperate to get back some of your recent losses, and your buddy Ferret had told me Prichard had had another go at you that morning, so I thought you might be suggestible to do something I needed done. So I had five hundred lots to buy. I know how aggressive a dealer you can be and I was pretty sure you'd take the bait if I implied much more than reality. So I made up an arbitrary target closing price I had to have, gave you a big order and let you go. At the same time I was listening to your clerk on the Ring, my boys had three or four of the other brokers on. They put in sufficient selling to cover whatever I bought through you. When you went crazy - or your old chemical friend took over - we just kept selling it to you. We finished the Ring very, very short. Add to that the five hundred we booked out to Yamagazi on the close, and what we sold in the Kerb, see where the market went in the next few days, and you can work it out. We made a hell of a lot of money from that trade."

"So you're telling me my stunning performance was all orchestrated - manipulated - by you?"

"Yup. That's it, Jamie. That's what I'm telling you. The Ring,

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the pricing, can be manipulated to suit the underlying reality, providing circumstances are right.”

“But what about Yamagazi? He can’t have been happy to pay such a high price.”

“Yamagazi is - ah - helping us to ensure that the circumstances are right more often than not. Don’t worry about him. You’ll learn about that later.”

So you’re paying off Yamagazi, thought Edwards. A Japanese taking money from a westerner rather than following the tradition of loyalty to the honour of the firm? That was a bit of a first. But how do they think they can sustain it for more than the very short term? Surely somebody would spot what they were doing if they tried it more than a couple of times?

Harris spoke again. “I shall be moving to the UK very soon. We’re starting a new company, which will mainly be concerned with placing Kanagi Corp’s LME business. We think it’s going to be rather successful. And that’s where you come in, Jamie. I want you to come on board and work with me.”

“Well, you’ve told me how you took advantage of a particular situation, how you exploited my weakness, but you haven’t made me see how you’ve got the basis of an ongoing business. What you did that day was really no more than a punt, with the odds stacked a little way in your favour. That’s not necessarily always going to be the case.”

Harris signalled towards the waitress to bring the bill. His voice was harder as he looked straight into Edwards’ face - “That’s the deal, Jamie. You want to work for me, fine. I’ll tell you the rest. You don’t, and that’s the end of the discussion. I’ve told you nothing confidential so far.” He signed the credit card slip for the girl. “Come on. I’ll take you back to your kennel, and you can think about it. But remember what you said before - you’re not too likely to get another job in the business with your record.”

Which you helped to arrange, you bastard, thought Edwards.

They were both silent on the short journey back to the clinic,

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occupied with their own thoughts. As the car drew up outside the door, Harris said "I'll just drop you and go. I need to be back in London for a meeting this evening. The offer's there, Jamie. It's up to you. We've got the ability to take this market apart, and make serious money. You know my home number. Think about it and let me know what you want to do."

"Thanks for the lunch, Phil. Yeah, I'll give you a call in a couple of days and see where we go from there."

He stood watching for a moment or two, as the Mercedes rolled off down the drive.

The rooms in the clinic were not as luxurious as the public areas suggested. A single bed, a wardrobe and an armchair were the only furnishings, and the bathroom off the room was basic rather than comfortable. Not really surprising, since the object of the place was to get its patients ready to face the world again as quickly as possible, not to encourage them to linger. Edwards sat alone that evening, thinking over what Harris had told him. It was all very well for the American to have said he had passed on nothing that was confidential, but Edwards had been around long enough to read between the lines that there was something, if not illegal, then at the very least questionable, about what he was proposing to do. It had been clear from the conversation that Yamagazi was colluding to make money out of his employers, but it would certainly not be the first time that had happened on the LME. Neither would that alone be sufficient to persuade Harris to give up his comfortable, well-paid existence at MacDonald and Thompson. He was no fool, and Edwards could not envisage him risking his career for a one shot rip-off of a Japanese corporation. He smiled inwardly at that thought: he was no fool himself, and yet he'd sacrificed his career for something far more ephemeral - his old addiction. And that was really the point. Forget the morals of it, as Harris had implied with his parting words, his offer was there, others were unlikely to be forthcoming. He'd probably slipped too far for anything fully legitimate to be possible. He

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actually had no real alternative, he had to make that call to Harris very soon and throw in his lot with them. But he would really have preferred to know exactly who “they” were and what they were really trying to do. Ah well, the doctors supervising his drying out kept using the phrase “one day at a time”. Maybe that was how he had to look at his career, as well.

## Chapter Two

Harris's meeting that evening was with a firm of lawyers in the City. Although still nominally working for MacDonald and Thompson, he had in fact been spending a lot of his time recently on other matters. Today they had finally acquired a shelf company to be the vehicle for the trading he intended to do. John Roberts was the partner who had been acting for Harris, and they sat together in his comfortable modern office in a small street just off London Wall. Roberts' assistant was also in the room with them.

"Everything's in order, Phil," said Roberts, "we just need to confirm what you're doing about the re-capitalisation of the company. That's the one point that's still outstanding. Of course, the company legally exists without it, but it's only worth the hundred pounds you paid for it. I guess you won't be able to do much business on that basis."

"Indeed not. But as we're setting it up as an I/B not a contracting party, we don't actually need that much." Harris pulled an envelope out of his pocket. "Meantime, if your boys could take care of this, it should be enough to give us a degree of credibility." He handed the envelope to Roberts, who opened it and saw a draft for \$100,000 drawn on an obscure Liechtenstein private bank. He passed it to his sidekick.

"It's none of my business, but I'm intrigued by that issue of credibility," remarked Roberts. "Isn't there some kind of stigma

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attached to the I/B status, some kind of feeling that everything is not quite kosher?”

“Well, traditionally the Introducing Broker has been regarded as a bit suspect, a guy nobody really wants to employ, but who does have a few contacts who want to keep putting business through him, normally because he’s an old buddy. So he works in a broker’s office, for no salary and takes half the commission he generates. The reason it’s always a bit suspect is that you wonder if he’s happy with half the commission, or if he’s trying to steal an extra buck out of the executions he gives. But things have changed, and the LME now has a full clearing system, and I think that creates a better opportunity for someone like me.”

Roberts’ assistant, Nick Gooding, spoke “I’ve been doing some work for a client on the LIFFE” - financial futures - “market, which has involved looking at the position of the brokers versus the clearing. But the system there is different from the LME, isn’t it?”

“Yeah, what we operate under is an interesting hybrid. The contract between the client and the broker is a principal to principal one, but the other side of it, the broker/broker deal that hedges it, is matched between brokers through the London Clearing House. At that point, the LCH takes over the deal, and calls the broker to pay margin on it to protect itself. Then, if one broker goes bust, you don’t have the risk of a domino effect taking them all down, because the Clearing House always has enough in margin to cover the value of all the contracts it’s holding. I’m not particularly familiar with LIFFE, but I believe there, both sides of the deal are immediately passed over to the clearing, so the end client actually has a contract directly with them, and the broker drops out.”

Gooding nodded. “That’s right,” he said, “the broker purely executes the trade, and the end result is that the only money changing hands between client and broker is the commission. So brokers don’t need anything in the way of capital to support holding open forward positions. What do you intend to do? Have

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a clearing account with one broker, and arrange to be able to trade with any of the others and give the deals immediately to your clearer to hold?”

“Yeah. That way I get to be able to trade wherever I get the best price, but I only have to have one financial relationship. But most trades will be in the names of my clients; the arrangement will be the same, though. And now, if you gentlemen will excuse me, I have a dinner appointment with the guy I hope is going to be my clearing broker.”

The two lawyers saw Harris out, and then wandered back into Roberts' room. “You know, Nick,” he said, “something tells me we're going to see a lot more of him. A friend of mine is quite senior at MacDonald and Thompson, and he tells me that guy has made *at least* a million dollars a year since he started there seven years ago. He's not giving that up lightly. I can't see yet what he's doing, but it smells as if it's on the edge of the law. And that means he's going to need legal help at some point. Ah well, the fees keep coming in. It's the best profession in the world, Nick.” He looked at his watch: 6:45. “Come on, I'll buy you a beer downstairs, then we can call it a day early, for a change. I'd anticipated that meeting being a bit longer.”

Mack McKee was a larger than life character, in two ways. Six foot six tall, broad to match and with a stooping gait, he was nicknamed “Jumbo” on the LME floor - but mostly out of his hearing. He also had a loud personality, and liked to party, so he was well known in bars, clubs and restaurants across London. The brashness hid an acute mind, though. He ran an LME broker called Commet, owned by a sprawling conglomerate, Mining and Metal Commercialisations, S.A., which was based in Luxembourg. They owned base metal mining properties worldwide, and smelting and refining plants in Europe. Traditionally, they had always been strong in supplying German industry with its metallic raw material needs, and the broking arm in London had originally

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been set up to enable those same customers to hedge through them as well. McKee was shrewd, though, and when he had taken over as Managing Director of Commet he had committed himself to diversification away from Europe, looking especially for growth in the Far East. The effect had been to propel Commet to near the top of the first division of brokers, and McKee, with his aggressive personality, to a position of power in the Market. Given Harris's connections with the Far East as well, it was inevitable that the two should have bumped into each other again and again as competitors for oriental customers. They had a healthy respect for each other's abilities and had spent many evenings together in various haunts in Tokyo and Hong Kong. McKee had an extraordinary ability to pick up market gossip, and had already got wind of Harris's resignation from MacDonald and Thompson. He assumed the American had suggested dinner that evening to propose joining Commet, a prospect guaranteed to appeal to his ego. However, he wasn't going to offer, he was going to wait for Harris to ask.

They met in a restaurant just off Knightsbridge, the latest chic. It was typical of how McKee spent Commet's money that he was able to get a booking at short notice, when others had to wait weeks. It was reflected again in the recognition and welcome he got from the maitre d'. Harris had arrived first, and watched the big man revelling in the attention and the looks he got from the other diners. Social climbing in Britain was something he had never been able to get to grips with, but it always amused him to see how easy it was to seem important. And flattery was probably going to be the way to get what he wanted out of the evening. McKee eventually reached the table.

"Phil, how are you, my friend? Good to see you. Sorry I'm a bit late, but we had some big business to finish up at the office."

Harris grinned to himself. One of McKee's foibles was that he always, but always, had to try and make you think his company was consistently busy, always outdoing everyone else in how much

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business they were doing. In point of fact, Harris had spoken to his boys at M and T, who had told him it had been a quiet day.

“I’m fine, Mack. Glad you could make it this evening. I’ve been out of touch today. Did the market do much?”

“Prices didn’t actually move much, but we had a big day in turnover. It looks like it’s going to be another record month. But I’m led to believe that it may be a bit more than ‘out of touch’. I’ve been hearing rumours about you all day.”

The American cursed inwardly. He had arranged this meeting as soon after resigning as he could, in the hope that the news had not already reached McKee. Ah, well. Nothing to do about it now.

“Yeah, I guess the rumours you heard are true. I just quit M and T. I’ve been there in Munich for seven years, made a few bucks, so I thought I might take the chance to see if I could do a few things a bit differently. I haven’t really had the time to begin to enjoy the freedom yet, though, what with having been over here all week. But Mack, it’s not really official yet, so how did you get to hear?”

“You know me. I like to keep my finger on the pulse. We’re a strong company, everybody tells us things. One of the guys in Luxembourg heard it from a banking contact. I was surprised, though. You’re the backbone of that operation. What are they going to do? Replace you? Or try and carry on with Klaus?” Klaus Fischer was Harris’s deputy in Munich.

“I don’t know, Mack. I quit. It’s up to them now. But I guess it’s Klaus’ big chance, if he wants to take it.”

The waiter approached to take their drinks orders. “A large gin and tonic, and what will you have, Phil?”

“Just an orange juice, for the moment, thanks.” The waiter walked away.

“Have you been in Tokyo lately, Mack? We haven’t had an evening there for a long time. When was it last? Late January in that club in Roppongi, wasn’t it?”

“Yeah, that was a good one. I’ve been there since, actually. Early August. It was bloody hot. I was hiring people, in fact. You know

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I've now got six people over there on brokerage, as well as the three Luxembourg have trying to increase the physical business. In fact, just between you and me, I'm working on getting my hands on that Far Eastern physical operation. Those guys in Luxembourg haven't got a clue." If McKee ever said 'just between you and me' it meant he was trying to tell as many people as possible. It was part of the act - the things he really wanted confidential, he kept strictly to himself. Still, he'd probably make a better job of that business than those Luxembourg had there at present. McKee went on, "You and I are the only ones who really understand the importance of the Far East, Phil. You know that, don't you." The drinks had come while they were talking, and now the waiter was back to take their food order. "Phil, I know the guys here well. There's a couple of things they do really well, not on the normal menu. Are you happy to let me order for you? I can guarantee you'll like it."

Typical again. "Sure," said Harris. "I trust your judgement, as ever." McKee gave the order, making sure the waiter understood exactly what he wanted.

"So, you've quit M and T, what do you have in mind? Have you made enough to retire, or are you looking at getting in to something else? Somehow I don't see you sitting on your backside at home."

"After seven years in Munich, I don't know where home is any more, as a good Californian boy. No, I have a couple of things in mind, a few ideas I'd like to have a shot at. There are some things we may be able to do together, possibly. You know we've talked about getting together before - this might be a good time."

"Well, as I told you, I've expanded my Tokyo office, but ideally I'd like a white boy in charge. The Japanese are very good, but for kind of corporate things, it helps if the overseas offices are run by people of the same culture. If you want to go and stay in Tokyo for three or four years, then we may be able to work something out there."

Harris thought he'd play along, try and see how much he could

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get out of McKee about what Commet were doing in Japan. He trusted - almost - his buddy Yamagazi, but it would be interesting to see if he had let slip any of their intentions. Yamagazi was a regular drinking partner of Commet's main man in Japan. Perhaps he had said something he shouldn't at some dubious late bar in the Ginza. "Well, I've gotta say Tokyo wouldn't be my favourite city to live in, but there's no doubt the business is interesting. I'd be happier based in Hong Kong, you know, ready for the jump off into China. That's going to be the big one. Japan's already overbroke."

The first course arrived, breaking the conversation. When they were served, McKee said "I agree in principal it's been overbroke, but the game has changed. You're no longer at M and T, so your business is up for grabs. You bring that across to us, and that makes us the biggest. Klaus may be able to keep the European stuff, but unless they replace you quickly with someone who knows the Japs, they'll lose them. Take your pal, Yamagazi, for example. He does some business with us - you know that - but he does a lot more with you. That alone would justify me taking you on."

"Yamagazi's a good corporate customer. Kanagi and M and T have a relationship that goes back years. I wouldn't assume their business would follow an individual."

That set off bells in McKee's head. He was much smarter than even Harris realised, and he *knew* it was a personal friendship between Harris and Yamagazi that underscored the business. Why would Harris try to play it down, when he could so obviously use it to leverage himself into a big money position with Commet? McKee didn't believe for one instant that Harris was intending anything other than to get straight back into a bigger job than before. He knew the American was just as mercenary as he was himself. Therefore, there had to be a game being played here. It could be a long evening, but he wanted to get to the bottom of it.

"Don't give me business school crap about corporate customers. Yamagazi always wants your view before he trades."

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“Believe what you like, Mack. I certainly wouldn’t like to take a job on the assumption that I could bring Kanagi’s hedging with me. I wouldn’t feel comfortable.”

“I’m not sure how much ‘comfortable’ has to do with it. We all have to live, and we can only do that by selling what we have that’s valuable to someone else. You’re going to be inundated with people making you the same suggestion I just have, and you know you’re better off with me than any of the others.”

“If I just wanted to carry on being a broker, I don’t think I would have quit M and T. They’ve been good to me, over the years, and they appreciate I’ve done a good job for them. They had no metals business when I started, and now they’re comfortably the biggest non-Ring trader. But if, having left them anyway, I did want to move elsewhere, then I agree, I would be best off with you. You know you and I have pretty similar ideas about where the LME’s going, and what’s wrong with it. And, more importantly, how it should be moving forward.”

“Which it isn’t doing at the moment, and won’t until some of those old farts on the LME Board get their brains in gear.” The Board of the LME was elected from amongst the directors of member firms, and had the responsibility of ensuring the market remained efficient, properly regulated and, most importantly, that it kept serving its members’ interests. It tended to be an extremely conservative body, as most of its members were of the older generation, who had time to spend away from their own businesses. McKee had recently been elected, but was already finding it irksome that he had - publicly - to appear to support policies he privately despaired of. “They persist in behaving as though nothing ever changes. Anyway, what do you think of the wine?” With McKee, it was futile for Harris to protest that he hardly drank. Over the years, he’d become inured to waking with a hangover after their evenings together.

“Yeah, it’s good,” he said. He looked at the bottle. “Tignanello. Tuscan, isn’t it?” He may not drink much of it, but he wasn’t going to be out wine-snobbed by the big man. “But I think there are

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some opportunities available in the market right now. The Far East is set to surge, and - being a Californian, I can give you the surfing cliché without embarrassment - you gotta be damn sure you catch this wave; I have the feeling it'll be the big one. If you look at the growth rates across the region, and just see the number of joint ventures the Japanese are putting in to Indonesia, Malaysia, Thailand, together with export-led demand from Taiwan and Korea, you must see regional demand is going to boom."

"Well, you know me. I prefer to rely on personal reports from our people on the ground rather than a load of statistics, but I've got to say I'm getting the same message. But I also get the feeling that Kanagi is really going for it. Our physical copper guys tell me they are getting more and more aggressive on their terms to the consumers. They seem to be making a real play to dominate that trade. That's another reason you should join us. If we can't get the physical business, then at least we'd get the bulk of the hedging."

Harris smiled. "Maybe," he said, but I've got a better idea, and it's going to be good for us both. I may as well come clean to you, Mack. The reason I left M and T was because I could see the chance of setting up my own company, so that I'd have full control over what I'm doing. I've enjoyed being at M and T, but in the end I'm not an investment banker, I'm a metal trader, and some of the constraints of being a bank have been an irritant. You know that: how many times have we seen that, as a metal trading group, you've had the flexibility to do things that have been impossible for me. Think of some of the Chinese stuff you do, that I can't get permission to look at. It's not a criticism of the bank, just a recognition of what the rules are. But now I've got an opportunity to do it a different way, and I would be stupid to ignore it."

"Mmmh. What do you have in mind? I guess you're thinking of some sort of I/B deal." McKee's mind was racing. He could now see just where this conversation was likely to be heading. Did he want to take the credit risk of Harris' business, in return for just a share of the commission? Or, knowing as he now did that there

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was a readjustment of relationships going on in Japan, would he be better to make a play for the business directly, and see if he could squeeze Harris out? He'd see first of all how much he could draw out of Harris, and then think about his move. A perfect situation for McKee: those that knew him well knew he had a remarkable ability to appear to agree to something, while nevertheless always leaving himself with a way out, a way to deny tomorrow what you felt he had unequivocally agreed to today.

"Yeah, I'm looking basically at an I/B arrangement, but slightly different from the conventional one. Strangely enough, since you know how critical I've been of the LME Board's tinkering with the rules, there is an anomaly which helps me, something which isn't allowed on any other exchange in the world, as far as I know. Look, we both know that the real money in this game is not made from commission from clients, whatever we may say publicly. Our profit comes from trading margins, and from being able to benefit from knowing clients' intentions in the market. A normal I/B just repeats the broker's quote to his customer, takes half the commission and that's the end of it. The broker/dealer is the one who benefits from his bid/offer spread, and from the subsequent positional trading. On most markets in the world, that's it. I/B means half the commission, end of story. The only other benefit is in reduced overheads, because you don't have to run and pay for a full office. Now, the rules of the LME as they stand give me an extra advantage. I can actually trade as a market-maker in my own right to my clients, which gives me the potential profits of the bid/offer spread, and the ability to run them as my own positions. I can then, not necessarily immediately I have traded, pass to my clearing broker the client's position - for his account - and my position for my account." Harris grinned. "Broadly," he said, "it gives me the licence to rip my customers off." He knew this would appeal to McKee, who, although he managed an extremely well-run company, loved to give the world the impression he was a pirate. "And I can trade with any broker I choose, when I want to hedge my customer trades. The other brokers will love it. They

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won't have to do the difficult bit, trading with awkward Japanese, argumentative Koreans, devious Chinese and the rest. All they will have to do is quote good old Phil Harris, who they all know. I'll guarantee to give them big volume so they look like big boys. I'll only pay them a minimal commission, but they won't care. They'll be able to sit in the Ring and look important. And if anybody raises the prospect of really doing the business themselves, instead of letting me get in the middle, you know as well as I do that they won't go for it. They'll always take the easy way out." He paused for a moment. Then, "So that puts me in the driving seat. You know how much effort I've spent cultivating some real strong relationships with customers. I think the time is now right for me to profit from that. I'd like to make you my clearing broker. I know how you work well enough to be confident that you understand the business I do, so we shouldn't run into too many disputes over customer creditworthiness, which may be the case if I went to one of the banks - it's part of the reason for some frustrations at M and T."

McKee looked at him. "It's interesting, Phil," he said, "but before I agree anything, I have to talk to my colleagues. We are, after all, competitors, however friendly, and we have to think about how a greater degree of co-operation would suit us both. But I like the concept."

Harris cursed inwardly. This was the answer he didn't want. McKee made all the decisions at Commet himself, and talking about conferring with colleagues was so much bullshit. It meant he liked the idea, but wanted a bit of time to see if he could find a way of making more money out of the situation than just the clearing fee. The reason for seeing him on his own, out of the office, had been to get a decision, not prevarication. A helpful clearing broker was a prerequisite of what he wanted to do, and despite his confident talk, he knew this was potentially the most difficult question to resolve. Well, if McKee was not going to decide this evening, there was no point in trying to convince him, by giving him any more information that he might use for his own

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purposes. “OK, Mack. That’s given you something to think about. Why don’t you talk to your boys and we can get together again in a week or so. I shall be back and forth between here and Munich anyway, I’ve got to find somewhere to live in London.”

“Oh, I didn’t realise you were intending to live here. Where are you looking?”

“I haven’t decided yet. I guess a short-term rent to start with, while I make up my mind what I want.”

“I’ve just bought a new place in Chelsea. It’s the only place to be. You can drive to the City in twenty minutes, you’re convenient for restaurants, theatres, shopping, everything.” And McKee spent the rest of the evening lecturing the American on the London property market. Not for the first time, Harris thought that if it weren’t for his larger than life character, his enthusiasm in talking, the big man could be a real bore, with his determination to know more than anyone else on any subject that came up. His sheer effervescence always swept you along, though.

They finished dinner around 11:30, and went their separate ways, Harris to Brown’s Hotel, and McKee back to Chelsea. They had drunk three bottles of the heavy red wine, and a fair few calvados’. Harris knew he would feel horrible next morning, but, as ever, McKee’s huge frame seemed to absorb the alcohol with no effect at all. As soon as he got home, he went straight into his study and picked up the phone. It was just before 8am in Tokyo, early for a man who had been awake until after the New York close last evening, 7pm London time, 3am in Japan. But McKee had no qualms about ringing the head of his Tokyo office; he paid his people well, so he expected them at his beck and call. The contents of the phone call would have disturbed Harris, because McKee instructed his man to get hold of Yamagazi and pressure him for information, and to see what sort of a deal Commet could propose to secure the lion’s share of Kanagi’s hedging. He had virtually decided not to work with the American, but to try and squeeze him out. He wouldn’t discuss it with his colleagues, he would tell

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them - when he was ready - what he was going to do. But the excuse had bought him some time, he hoped, time to out-manoeuvre Harris.

## Chapter Three

Jamie Edwards was back in his house in London. It was almost a week since his lunch with Harris, and he knew he had to make his decision. He was hesitant, and yet as he had rationalised to himself, there was really no alternative. His mind tracked through his career, as he mused about how he had ended up here. He had been an average pupil at school, and his choice of going directly to the City rather than to university had been a rational one, even if generating a touch of disappointment in his parents. But he had done well, he'd made a good dealer and was earning a lot of money by his mid twenties. Always close to the edge, though, first with increasingly frequent drink binges and then, during a six-month stint for his company in New York, he had developed the addiction. It had been a relatively open secret amongst his peers, and he was by no means unique in his use of the stimulant. He had been unable to control it, though, unlike most of the others, and bit by bit employers began to tread warily when it came to Jamie Edwards. Quite a few had tried to rein him in, looking at the good side and assuming they could handle the bad, but each in turn had had to give up the struggle. And now? He was, for the first time, confident that the problems were behind him, but nobody else would believe that. They had all heard it too often before. So all roads led back to Phil Harris, who looked like being the only person likely to pay for his services. Well, okay, perhaps it was dubious, but Harris wasn't so stupid as to get himself

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involved in anything really illegal. Just loading the odds a little in his favour, that was all. He reached his arm out for the telephone.

Harris was working at the desk in his apartment in Munich when the phone rang. "Phil? Hi, it's Jamie. Look, umm, I'll join you. When can we get together to talk about the details?"

"Hey, that's good news. I'll be in London in two days time. Let's meet on Friday evening. I'll be staying at Brown's, as usual, so why don't you come there at about six thirty. I've got to spend the afternoon with property agents, looking for somewhere to live."

"Okay, I'll look forward to it."

Harris smiled as he put the phone down. Things were moving in the right direction, although there was still the unsolved issue of McKee and the potential of Commet as a clearing broker. But having Edwards on board may help with that as well since he knew the brokers from being one of them. Harris was confident that between the two of them they would be able to work it out.

Brown's hotel in Mayfair is old-style, traditional and very discreet. Harris had picked up the habit of using it a few years back, when he tired of the sameness of the corporate hotels. The bar is dark, panelled, quiet and seemingly left over from the Edwardian era. On that Friday evening, Jamie Edwards walked in and saw Harris sitting at a table in the corner, leafing through the day's Evening Standard. "Good evening, Phil," Edwards greeted him.

"Oh, hi Jamie. You're right on time. Why don't you take a seat? Do you want a drink?"

"Er, yeah. Is it possible to have a coffee in here?"

"I should think so." Harris beckoned the hovering waiter over, and ordered coffee for both of them. "So. You've decided to throw in your lot with me."

"As you made fairly clear when we met last, and as I realise, I probably have no alternative, with my record. But I'd really like to know a bit more about what you're trying to do."

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“All in good time. Anyway, you shouldn’t look at this as a last resort, because it’s actually a real good opportunity I’m putting in front of you. Think about where we got to at that last lunch. I showed you how I made a lot of money on a one-shot chance. That was really just flexing the muscles. The real focus is on the inter-action of the LME futures market and physical copper movements. I told you part of the story, the approach Yamagazi was making to the consumers in the Far East about how he can be relied upon to supply when and where necessary; quite correctly, you pointed out the financing cost of always being long, always holding enough stock to deliver. The simple way around that is to provoke a backwardation. Look, Jamie, before we go further into this, I think you should look at the contract I’ve prepared for you. Just give me a couple of minutes and I’ll go upstairs and fetch it.”

He left Edwards sitting there, musing over his last statement. In normal circumstances, in any market, the nearby commodity is cheaper than a further forward date. This is called a contango, and is simply understood because if you buy the spot commodity and hold on to it, then clearly you are incurring an interest cost on the money you use to buy it and an expense in warehousing and insuring it. So if you buy one month forward, for example, then you would expect the price to be higher than spot by those extra costs. That’s what Edwards had meant when he had said that financing stock for immediate delivery would cost Yamagazi something. However, in exceptional circumstances, the nearby price can be higher than the forward price. This state of a market is known as a backwardation. In this case, the holder of the nearby commodity can always make a profit, by selling spot and buying the (cheaper) forward. In Edwards’ experience, backwardations were normally short-lived, created either by real events - a strike at a mine, for example, causing a shortage and therefore an increase in nearby prices - or provoked by a trader who was prepared to risk the investment of trying to corner a market. This had to be carefully managed, and was normally based on some particular knowledge of an impending shortage for some reason, which

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could be leveraged to make a profit. As with any market manipulation, though, there was always the risk of getting it wrong, with potentially disastrous results. Did Harris think he could do better than those who had tried in the past? And if so, then why? And the same question as before: if this were to be just a one-shot rip-off of Kanagi, then why had Harris left M and T and why was he talking as though this were something different? Well, I'm about to find out, thought Edwards, as Harris reappeared and sat down, a brown A4 envelope in his hand.

"Jamie, I'm gonna want you to sign this, but I'd like you to take it away and read it seriously. One question, though. Have you genuinely decided you're going to join us, all the terms in here being acceptable?"

"Yes. I can't pretend I'm totally happy with the lack of information I've got, but in the end I've got to trust you. I'm ready to join - well, I don't even know the name of the company yet."

"Yeah, I thought a bit about that. In the end, I've kept it simple. Chelsea Metals, on the basis that your buddy and mine, Mack McKee, tells me Chelsea is the only place to live." Edwards smiled as Harris continued, "I'm going to lay it out for you now, on the basis that I trust you to sign that contract. You've given me your word, and if we are to work together, that had better be enough for me."

"You're a strange character," said Edwards. "Suspicious enough last time, and yet now you're ready to tell me your plans just on my word."

"Jamie, I mean it. If we're to work together, then we have to trust each other. Loyalty is a two-way street." As he said it, Harris' eyes bored straight into Edwards'. "Don't forget that, or we'll fall out in a big way." Edwards saw a cold intensity in the American he had not experienced before. "In that contract, you'll find you can say anything to me, but if you breathe a word of what we're doing to anyone outside, I'll have your balls." He paused to let it sink in.

Then, "Okay. You've probably guessed by now that we're gonna

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be working pretty closely with Yamagazi. His business will be the basis of what we do. He has managed to achieve two things, one of them his relationships with Asian consumers, as I told you before. The other thing he's done is to win the confidence of the Japanese smelter pool, the JSP. Now the JSP is an interesting animal, because it's a cartel where there shouldn't be a cartel. But anyway, it exists, to look after the interests of the Japanese copper producers. The names of those companies are all so-and so Mining Ltd, but in reality they haven't been miners for a few hundred years, since their domestic reserves ran out. These days, they're purely custom smelters, who import concentrates and smelt and refine them into cathodes, for sale to cable makers, fabricators, auto companies and so on. The absolute price level of copper, therefore, is almost immaterial to them. Their risk is if prices move between them buying the concentrate and selling the cathode. Effectively, it's a spread risk." He grinned at Edwards. "I'm not trying to teach you to suck eggs, Jamie," he said, but I want you to understand right from the beginning where we are."

Edwards nodded. "Okay," he said, "it's pretty simple stuff so far, but I guess we'll get to the serious bit eventually."

"Yeah. Anyway, Yamagazi has managed to make an agreement with them to manage a hedging programme for them to protect that spread risk. Nothing to do with physical sales, just around a million tonnes a year of hedging to play with. Obviously, since the cartel shouldn't be there in the first place, this agreement is strictly, strictly confidential. The reason they've done it is that they don't trust the LME brokers. Yamagazi has been working on building up that distrust for a while, and add that to the fact that Kanagi is one of the main trading houses and a pillar of Japan Inc and you can see how he's managed to manoeuvre them."

It was said very glibly, but Edwards knew that if it were true - and given Harris's comments about trust between colleagues, he had to assume that at least part of it was - then this would be a major change in the way things were done. Until now, as far as he was aware, the smelters in Japan had not embraced the use of the

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LME with the same degree of enthusiasm as the trading houses. They had been very hesitant about dipping their toes in, as Harris had said, reluctant to trust the western brokers. That was a big chunk of business Yamagazi had managed to secure. This was getting closer to the reason Harris would have given up the security of M and T.

“Next,” Harris continued, “there are the Chinese. As you know, China is both importer and exporter of all forms of copper, because their internal systems aren’t sophisticated enough to match domestic buyers and sellers. Kanagi has for a long time been the foremost Japanese trader in China, and our boy latched onto those connections a while back. Add to all that the south-east Asian business I already indicated to you, and you can see that it’s a big piece of the world’s copper this guy is controlling.”

“Sure it’s big business, Phil, but I still don’t see where we’re going to make the kind of money you’ve been talking about.”

The bar was beginning to fill up with a mixture of hotel guests who looked as if they’d come in from sightseeing and smart, well-dressed people who were obviously meeting for pre-dinner drinks.

“I found a house this afternoon. I’ve still got the key, the real estate broker doesn’t want it back until tomorrow morning. Do you want to come and see it? It’s getting a bit crowded in here.”

“Sure. Why not?”

“Okay, just let me grab the bill” - Harris signalled to the waiter - “and we’ll take a cab ride down there.” They walked out through the country house hall into Dover Street, where they waited a moment or two while the doorman whistled up a cab for them. It was dark, gloomy and drizzling, with the lights reflecting off the wet pavement slabs. Edwards grimaced. “You’re a Californian, what on earth persuades you to come and live in this filthy climate, instead of sticking with the sun?”

“Money, Jamie. I don’t like the cold and wet any more than you do. When we’re through with all this, there’ll be enough money to go and live in whatever sun you want. Two or three more years should be all I need.” The black cab drew up, and they got in.

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“Where to, mate?”

“Onslow Gardens.”

“Wow,” said Edwards, “that’s a pretty smart address. You’re obviously richer than I thought.”

“No, but I think property in central London long-term is going to be a good investment, so why not take advantage of where prices are right now? Anyway, it’s actually quite small, as you’ll see in a minute.”

Not for the first time, Edwards reflected that in the end almost every conversation he had ever had with the American was about money - making it, losing it, keeping it.

They were stuck in the traffic round Hyde Park Corner. “I tell you this is one thing it’ll take me a long time to get used to in London. It’s worse than Tokyo, these days.”

“You just have to get used to the fact that it takes longer and longer to get anywhere. It’s not going to get any better until they spend some money making the Tube usable. But, you know, you get into the office early enough so you’re before most people, and you’re OK.”

Harris looked at him. “That for sure. We’ve gotta be there when the Jap wants to trade, and that means early, early mornings. He’s heavily on our side, but we need to be competitive for him.” He paused for a moment. “Or at any rate, we have to be there when the others aren’t, so whatever our price is, *is* the competitive one.” The cab turned into Onslow Gardens, and Harris indicated the house to the driver. “This is the one,” he said, as they drew up outside. As they got out and paid the cab, he said to Edwards, who was looking appreciatively at the property, “It’s actually not a house, it’s what you call in this country a maisonette, so it’s just two floors, not really that big, but it’s all nicely finished and with some good furniture it could be good. I’ve been buying some antique pieces in Munich for the last couple of years; some of them will fit better in a place like this than they do in the flat over there. Anyway, come and have a look round.” Inside the house, Edwards had to agree - it wasn’t very big, but the rooms were

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beautifully proportioned and decorated. The big windows giving - presumably - on to a communal garden at the back suggested a lightness and airiness in the daytime.

“Yeah, it’s nice, Phil. Are you going to buy it? What happened to the idea of renting until you were more settled in London?”

“Well, I like this, and as I said, I may as well take advantage of prices now. I’m going to make them a bid tomorrow, and if we get it sorted out quickly, then I can ship my things over and get settled before we actually start trading.”

“What about Annette?” - Harris’ on/off long-term German girlfriend - “what does she think of moving to London?”

“Playing it a bit cool, at the moment. But she’ll come round, she knows where she’s best off. If not, that’s life, Jamie, you know that.”

Edwards snorted. “Tell me about it.” He had been married for a couple of years, but the drink, drugs and partying with the boys had destroyed it. Harris grinned. “Ros would probably like the clean-living man you’ve become since the clinic.”

“I don’t think she would ever like anything about me again, Phil. But as you say, that’s life. Anyway, more important things. You were about to tell me how Yamagazi’s increasing importance in the physical copper market is going to make you and me rich.”

“Yeah.” A pause. “Look, you clearly must have picked up by now that I have a bit of a deal going with him. The way it’ll work is that he’ll pick up a share of the profits of Chelsea Metals. He will provide us with enough volume to move the market around, and what we bring to the table is knowledge and experience enough to use that volume to manipulate the market to suit us all. As I said before, we’re going to want to get it into a backwardation, so we make money out of the way Kanagi Corp will always be long nearby.”

“I can see that would be interesting, but you still haven’t explained how you’re going to finance the cost of creating and then holding that backwardation. That’s the bit that always causes backwardations to collapse after a pretty short time - look at the

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history of it. And yet you seem to want to have something semi-permanent. I don't understand how we're going to keep it going."

"Alright, you can see two thirds of it, right? Yamagazi has the volume, we have the market experience to use it." Edwards nodded. "Well, the third leg of the stool is Kanagi Corp themselves. They've done something very silly, something unforgivable. They have put Yamagazi in sole charge of copper business - he not only trades it, he has a free hand to oversee the settlement of his trades and, most importantly, to arrange the financing of his trading. He is in a position - and this is all documented in Kanagi - to borrow money from banks to finance the corporation's copper trading activities. So what will happen? In broad terms, he will buy copper at forward prices, sell at spot prices - in other words, keep his word to the physical customers by always having metal available for them. To make that work, he needs a back. We create that for him on the LME, using his volume to provoke it - remember the combination of his own traded tonnage and the smelters. To do that, he's gonna have to pay money to the market to keep it going, as you rightly say. That money comes from the banks, and you name me a single major bank that won't love to lend money to one of the strongest of the Japanese trading houses. And there will always be enough copper to use as security for the loans. So the banks will assume their money is being used to finance the physical trades, not for a market manipulation. And our profit comes because little old Chelsea Metals will be there trading for it's own account, all the while knowing exactly where the market is moving to, because we're the ones moving it. It's a house of cards, Jamie, but we can sustain it long enough to reap the rewards."

Edwards was impressed. The American had managed to complete the circle, filling the gap that most market manipulators stumbled at - having enough ready money nearby to keep the game going long enough to take the profits when they were available further forward. One little doubt niggled at his mind, though. "Who's the one doing something illegal, here, Phil?"

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Harris shrugged. "Not us. Immoral, probably, but not illegal; let's face it, Jamie, in this business we stopped worrying about that years ago. I guess its Yamagazi, because he's technically defrauding Kanagi. But that's his problem; he likes the idea, so he must be happy with it."

"Fair enough. I guess we can't lose, as long as we can keep hold of the market."

"That's right. That's why I was talking to McKee last week. We need a friendly clearing broker to make sure we can put the right trades in the right account. I thought he'd be the most amenable, but I'm not convinced how keen he was."

Edwards just stared at him. "Are you mad? The last thing we need is to get him involved. If he gets wind of something going on, he'll just keep shaking at it like a dog with a bone until he gets to the bottom of it. We need someone stupid."

"I know, Jamie. I was working on the old Nixon principle, that it's better to have people inside the tent pissing out than the opposite. I thought if he were making money anyway, he might just accept it."

"No, no, no. That's not him. Yeah, he'd like the money, but he wouldn't be able to leave it at that. He has to feel he knows what's going on, all the time. He just can't leave things alone. Look, Phil, I know you've been in the business a long time and that you know people, but you don't know them like I do, from seeing them on the market floor every day, from lunching with them, drinking with them all the time. We need somebody stupid and greedy, and I know who."

"You're in this for market knowledge, as well as your trading ability, so that's fine. You tell me, and we'll have a serious look at it. Who do you have in mind?"

"Captain Mainwaring," said Edwards. It was Harris's turn to stare.

"Who the hell is Captain Mainwaring?"

"I forget sometimes that you haven't had a proper English upbringing. Captain Mainwaring is a character in a TV show

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called Dad's Army. It's about the Home Guard in world war two; that's a kind of local militia made up of people too old and dodderly to be in the real army. They have to guard things in case there's an invasion. Mainwaring is the bank manager who is in charge of the platoon, and he's a short, fat, bald man who is pompous and bumbling. Nevertheless, he thinks he's absolutely it in soldiering, even though he's clueless. Anyway, there's a guy who looks just like him and shares his pomposity at BancSud Commodities. You know, it was a scuzzy little commission house that was bought about two years ago by Banc du Sud, from Switzerland." Harris nodded. "Well," continued Edwards, "they've never done much in metals, but apparently they've decided to beef it up. I know they've been looking to hire a few people recently. They would suit our purposes much better than Commet, because we'd be more important to them. They don't have the sort of breadth of business that Commet do, so they would be more anxious to please us. Look, I've had enough of standing around in an empty house, can't we go somewhere else?"

Harris nodded. "Sure. Let's go and have some dinner. You may be right about BancSud. What concerns me a little is that I may already have whetted McKee's appetite. I may have made a mistake by telling him as much as I did."

Edwards shrugged his shoulders. "Can't be helped. We're going to get noticed soon enough anyway."

They would have been rather less sanguine about it had they been able to eavesdrop on a late evening meeting happening across the other side of town in Commet's boardroom. McKee liked to have a quarterly strategy meeting with his three most trusted lieutenants, Rory Davis, head of trading in London, Stu Benson, head of New York and Matsuda, the senior man in Tokyo. "The last item I want to discuss," he said as the meeting drew towards its close, "is what's going on with Phil Harris and Kanagi Corp? I had dinner with Harris a week or so ago, and I'm sure he's brewing something. He's setting himself up independently, and when I

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mentioned Kanagi he was very offish about it. But we all know Yamagazi doesn't wipe his arse without discussing it with Harris first, so what are they hatching? Matsu, did you find anything out since I mentioned it to you?"

Matsuda was a smooth, very well-dressed Japanese of about 35, who had given up the kudos of working for a major Japanese corporation for the much greater financial benefits offered by a foreign company. Like McKee himself, his strength lay in his ability to build relationships, and to draw information from a huge network of contacts. "So sorry, Mack-san," he said. "Not much information to report. However, we have been developing our relationship with one junior trader in the aluminium department at Kanagi, and he reports Yamagazi-san is becoming stronger and stronger in Corporation. He has a new title, not just General Manager, but also Head of Copper Trading Worldwide. As you know, it is very unusual for a Japanese company to use such a title. It makes us believe he has very much more power. Also, our colleagues at Commet physical section in Tokyo report more and more difficult to compete with terms offered to physical customers by Kanagi. It's almost like they're trying to buy market share."

"Actually, we've heard some comments in the States about things happening in Japan," put in Benson. "The concentrates sales guys are telling us the Japanese smelters seem to be getting a lot smarter about the terms they'll buy on. One of my buddies says it's like they've just discovered how the LME works."

"Not good for their profitability, then, Stu, I suppose," said Davis.

"Absolutely not. They're getting a touch pissed off about it."

"Rory," said McKee, "is there anything going on on the Exchange that might give us a clue?"

"Not really, that I can see. I mean, we know there's been some consistent Japanese interest on the buying side, but you can put that down to slightly more buoyant markets than we might have been expecting. But it's only a week or so since he resigned, so I

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wouldn't really expect to hear any real rumours. But he asked you if we'd do his clearing, didn't he?"

"He did, but we're not going to. It's not our sort of business. Stu, I'm interested in what you say about the smelters. When you get back to New York, get out and schmooze a bit with those concentrates traders. See what else they've got to say. And Matsu, when you get back, go round the smelters again. If they're learning more about LME, this may be the time to get in there. Offer them some LME pricing formulas, see if they're really interested. Rory, make sure he has some competitive numbers for them. Let's find out if Harris and Yamagazi are trying to bushwhack them."

McKee picked up his papers and put the Mont Blanc pen back in his pocket. "Come on. We've had another good month, let's go to Annabel's and celebrate."

## Chapter Four

Banc du Sud occupied a prestigious building on Bishopsgate. The security guards in the marbled reception issued Harris and Edwards passes to the fourth floor, listed on the directory board as “BancSud Commodities Ltd”. Edwards had spoken to them in general terms about what he and Harris wanted, and they had a meeting arranged with the chairman, Ronald Waverley, who, he had already warned Harris, was of a totally different style from McKee; he was a general commodity broker, not a metal trader. “Don’t talk to him about the real business,” Edwards had said, “he’ll pretend, but he doesn’t really understand it. He’s going to be interested in how much clearing fee we’ll pay, what our financial status is and - most importantly - how many lots of business we may do. It’s not general knowledge, but I happen to know that when the Swiss bought his company, they were suckered into a deal whereby Waverley gets a fixed amount per lot of business, as part of his bonus, taken out before profit and loss calculations. Volume is what he wants more than anything else. They’re quite big in soft commodities, they’re trying to grow in financial futures, and the LME is the bit they don’t really have a handle on. If we can offer them what amounts to almost a ready-made business, they’re going to go for it. The biggest hurdle will be our balance sheet, because they won’t be keen to give credit to a company of our size, and we need it to be able to trade on our own account.” Harris had an answer for that one, but he had seen no need to

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disclose it to Edwards before the meeting. Why tell anybody anything before you have to, was his watchword, despite his comments to his partner about mutual trust.

The hallway they came to out of the lift was a sharp contrast to the plushness below. Shabby carpet tiles and scratched wooden doors, through which the sign indicated them to the reception. The girl at the desk, though, smiled pleasantly enough at them and asked them to take a seat for a moment while she told Waverley's secretary they had arrived. They sat in silence, until a slim middle-aged woman came through the double doors and asked them to follow her. She showed them into a large, airy boardroom, like the area outside in need of decoration, and told them Waverley would be with them very shortly. Again they sat in silence, until the door opened and Ronald Waverley came in. The Captain Mainwaring reference had been completely lost on Harris, but to Edwards the likeness was uncanny, emphasised by the pomposity of the greeting "Gentlemen, welcome to BancSud Commodities." Edwards made the introductions, Waverley served them all coffee from the side, and they sat themselves at the board table.

"I understand you are in the process of increasing your activities on the LME," began Harris, "and as we are right now establishing our company, Chelsea Metals, as an I/B specialising in Japanese and Far Eastern business, Jamie suggested to me that we should come and see you and talk about where we may be able to co-operate."

"Certainly," replied Waverley. "I'll give you a bit of background about us first, and then maybe we can look at specifics. This company was founded just over a hundred years ago as Sime and Co., and went through a number of ownerships until my partner and I bought it around fifteen years ago. Its strength has always been in soft commodities - cocoa, sugar, coffee and so on - and we carried that emphasis on. My partner decided to retire a couple of years ago, and at the same time we got an offer for the company

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from Banc du Sud. That got my partner out with his share, and I stayed on as chairman, with the bank as a hundred percent shareholder. We are still a separate company, though, not a division of the bank. One of Banc du Sud's strengths is their mining project finance section, and they see us as a vehicle to increase their metal trading exposure through our membership of the LME. They want to be able to offer hedging facilities as part of the mine finance package, so they are very keen for us to grow our LME business, which has historically been a pretty small part of our activities. They are therefore extremely supportive in building customer relationships." He beamed at them, with his round face and glasses. "As you know, Jamie, we've just hired another two dealers to strengthen our metals team, and we're keen to develop more business. Obviously, we'd like to do end-customer business, but our marketing tends to be concentrated more in Europe and North America, so to the extent that you are Far East oriented, it may be that there's a good fit there."

"Yeah, our business will be very much representing Japanese interests firstly, and we then expect growth into China. We may have something to do also for Taiwan and Korea but I guess that's most likely to come via the Japanese, at least to start with."

"Well, it would seem that we may have the possibility of a deal. From the conversation I had on the phone with Jamie, I understand you're looking for a clearing arrangement, in the names of specific customers and in your own name as well. We have quite a lot of experience as clearing brokers on other markets, and I don't see any reason why our staff shouldn't be able to handle what you want as well. Subject, of course, to the customers meeting our requirements of financial strength."

"I understand that. As far as the Japanese are concerned, they will all be major corporations, so I guess that won't be a problem." Waverley nodded at him, and Harris continued, "For our own account, Chelsea Metals is at the moment only capitalised at \$100,000, although that will increase. Initially, I would suggest that we should deposit margin with you to cover our exposure. It

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would be cash or some acceptable securities.” Edwards looked surprised. The margin requirements could be big money; one day he’d find out what Harris really had behind him.

“That’s fine,” said Waverley, smirking, “we’re always ready to hold your money. Obviously we would need to look at the Japanese companies individually in terms of credit lines, but I can’t envisage any serious problems if they’re the big corporates you describe. Gentlemen, I think this is all going to fit together very well.”

They haggled back and forth a bit concerning the commissions to be paid to BancSud for clearing, but Harris and Edwards left the meeting well satisfied with their progress. In the cab afterwards, Harris said “You’re absolutely right, Jamie. This is the sort of guy we need. McKee was all over me, trying to find out what we’re doing; Waverley doesn’t seem to care, it’s like he just sees his company as a functionary. I think we’ll be able to do almost anything we want, as long as we pay him his clearing fee.”

“I told you, Phil, volume is more important to him than anything else, and we will be his biggest client. He’ll fall over himself to keep us sweet. What we might also do is put some trading through them as well. I know the guys he’s been hiring; some of them aren’t bad. He’s paying big money to attract them, you know. I think the bank has given him a kick up the arse and told him to do something with his LME membership. They’ve been Ring dealers for quite a few years now, but they’ve never been more than a bit player. My guess is that our timing is perfect for them, ’cos it’s going to help them get their profile up. And that’ll make us very popular with them.”

“I think we’re nearly there, Jamie. We’ve got work to do on getting credit agreed with BancSud for the initial clients, which will be Kanagi, obviously, and the Japanese smelters. That won’t be too difficult and I guess BancSud will process things fairly promptly. But I’ll keep on top of that, anyway. What you need to do is to get together with some of the brokers and make sure we’ll get liquidity from them. We’ve got a couple more weeks in

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November, then December, Christmas, New Year and stuff. We should be ready to trade in early January, so that's what we're gearing up for. I heard from the agents this morning that we can get the office space I wanted - the place off Sloane Square, I see no point in paying City rents - you'd better come along and see it. We've also got to hire a couple of junior dealers. You know the boys on the Floor; have a think about which of the younger generation could be taught to handle what we want." Edwards nodded. "For the back office people, there are a couple of guys at M and T who are quite keen to follow me. You know their back office administration was always in London, not Munich, so it's a pretty easy move for them and I trust them to do the job properly. One thing I haven't really stressed to you is how important it's going to be to make sure our records are accurate. At some time, some regulator will inevitably look at us, and we've gotta be seen to be clean. That means tapes on all the phones, and it means our records have got to be spotless. You make sure when you choose your assistant dealers they understand I want no seat-of-the-pants stuff, with administration to follow. I want systems right before any trade is done. And I'm going to remind you again, confidentiality is essential. We don't need things leaking out about our operations. So the ability to keep their mouths shut is a serious consideration in hiring anybody. We don't want just the normal LME hacks who tell their buddies everything they're doing."

"Yeah, I can think of a couple of the boys who might be OK. One of them has just passed his dealing test and the other one is still a clerk. I think they'll both be prepared to move away from Floor trading, and as they're not that experienced, then they won't be set in their ways so I can train them how I want. You know one of them - Stumpy, the clerk who used to give you the run at Myerson's. He's already pretty much used to my way of working. I was speaking to him a few weeks ago, and he was telling me he hasn't really settled in at Commet since they took over Myerson's, so I'm pretty sure he's ready to move. The other one's just started sitting in the Ring trading lead, but he doesn't really seem cut out

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for it. He'll be better trading from the office. I'll get on to them this afternoon and set up some meetings. Any particular time you want to see them?"

"I'm easy. Whenever suits. To be frank, I'm more concerned with getting the infrastructure in place, getting the phones connected, the computers in, all that kind of stuff. You choose who you want. I mean, I'll see them, but I don't need to interview them or anything. I'll leave all that to you - you've got to work with them. I'm going to have to go to Japan before we open the doors, as well, just to massage our boy's ego. You've never met him, have you?"

"No. I did a tour round some of the Japanese customers a couple of years ago, but I didn't see him. I met some other guys from Kanagi, but we didn't get anywhere with them. It must have been just about the time when he was promoted to run the copper book. Since then I've seen him at one or two conferences, but I've never spoken to him."

"It might be an idea if you came to Japan with me. You need to meet him, but more importantly he needs to get comfortable with the idea of dealing with you as well as me. He's a strange character - very egotistical, but at the same time very reserved with people he doesn't know. He knows his interests and ours are very similar, but he'll still insist on having the upper hand in the broker/client relationship. But for the money we'll make, we can humour him as much as he wants."

The cab was caught in the traffic snarl-up around Aldwych. "Jamie, I've got to go to M and T to finalise a last couple of things about my leaving. Their office is just across the way there. Why don't you take the cab on and I'll get out here. Think about your sidekicks, OK? I'll talk to Yamagazi tonight, and try and fix up a trip out there. I'll call you tomorrow." And he stepped out of the stationary cab and crossed through the traffic. Edwards redirected the driver to his address in Maida Vale.

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The telephone shrilled its insistent ring, and blearily Edwards looked at the clock. Three a.m. He picked up the phone. "Yeah?"

"Jamie, it's me," came Harris's voice. "I've just been talking to Yamagazi. He's leaving for Hong Kong this evening, Tokyo time, and he's going to be there for a few days. His suggestion is that we meet him there rather than Tokyo. There'll be a flight at around midday we can take. I'll confirm later. By the way, you weren't asleep, were you?"

"Of course I was. It's three o'clock in the bloody morning."

"Welcome to the twenty-four hour world. This is how it's gonna be, kiddo." And the phone went dead.

## Chapter Five

The approach into Kai Tak airport is one of the most spectacular of all, not principally for the splendour of the hills and mountains marching north-westwards into the unknown of China, but more because of the intimacy of peering into people's apartments as the aeroplane takes a tight approach line across Kowloon to avoid Chinese airspace. Edwards was sitting in a window seat on the upstairs deck of the 747, and his stomach lurched as the pilot made the final, skidding turn to line up with the runway, the plane's wheels seemingly inches above the rooftops.

"Amazing, isn't it?" said Harris from the next seat. "No matter how many times you come here, you always want to grab something to hang on to at that last turn. My rule is always fly Cathay into Hong Kong. Their pilots have had more practice at landing here than anyone else."

The wheels bumped onto the runway, and they were thrown forward against their seat belts as the brakes came on and the engines wailed in reverse thrust. "This runway was never built for 747s. But if the Brits and the Chinese can sort out their differences, there'll be a new airport here by the time it goes back, in '97."

Disembarkation and customs and immigration formalities were swift, and they walked out of the airport to the waiting car.

"Where we're staying, the Island Shangri-La, doesn't have the

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snob appeal of a couple of the older-established hotels, but I've got us on the top floor, and the harbour view from there is awesome." Harris seemed to Edwards to be more relaxed than in London, less driven. Commenting on a view was something he would not have expected from the American, unless he was talking about how he could buy it.

"So, what's the form with the Jap?"

"Jamie, one thing. I'm sure you know this really, but you gotta be careful. Never, and I mean never, refer to any of them as Japs. That shortening to them is a real insult. You have to call them Japanese."

"Yeah, I know." Edwards grinned. "Careless words cost lives, right. Anyway, where are we seeing him?"

"He'll be at the Kanagi office this afternoon" - it was then mid-morning - "so I'll call him there and fix up somewhere for this evening. It's possible he may want to party. One of the reasons he comes here is he holds himself in such tight control in Tokyo he likes to get away from time to time."

For once, the traffic was relatively light and they arrived at the hotel in good time. After checking in, Harris said "I'm going to relax for a bit, I never really sleep properly on flights. I'll give you a shout when I've got hold of Yamagazi, and we know what we're doing later on."

When he got into his room, Edwards had to agree that the view was something else. He didn't know that the bright, clear day was the exception not the rule, and that usually there was a haze obscuring the distance. But he was able to look down over the harbour, to see the boats and ferries scurrying about, and the bigger ships sitting at anchor. And all around him, the high-rises sprouting from tiny pocket handkerchiefs of flat land hacked into the steep-sloping rock of the island. An aeroplane caught his eye, curving over Kowloon and then smoke spurted from the tyres as they touched the runway. The approach looked as hazardous from the ground as it had felt from the air. He stretched out on the bed; he didn't sleep too well on aircraft, either.

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The phone jangled. It was Harris. "We're meeting him for dinner at the Chinese restaurant at the top of the Mandarin Oriental. It's s'posed to be one of the best in Hong Kong. Then he's got some new club in Wan Chai he wants to go to. I think it's some sort of sleazy table-dancing place. Anyway, I'll see you in the bar up here at around eight, and we can walk down there. It's not far. Oh, and he's quite formal. You better wear a tie."

Edwards was intrigued as they took the short walk down to the Mandarin, right on the Harbour side, across the road from the Star Ferry terminal. He was finally going to meet this Japanese who was developing such an influence on the world's copper market. It was also rare, he believed, to come across a Japanese who was so clearly corrupt, putting himself ahead of Japan Inc. But maybe not, mused Edwards. Who knew how he had managed to persuade the smelters to go along with his plans? Perhaps they were all taking kickbacks, and the impression of probity was just another way of fooling the gullible westerners. Anyway, he was looking forward to seeing Yamagazi.

The restaurant was a modern chic representation of traditional Chinese decor - black, highly-buffed lacquered walls, bamboo screens with abstract designs and stainless steel low-hanging lamps, formed to look like lanterns. As they were shown to their table, Edwards saw a nondescript oriental - he wasn't familiar enough to distinguish Chinese from Japanese, or Korean or whatever - sitting waiting. He had slightly greying hair and glasses, and a cigarette in his hand. He smiled as he rose to greet them, and Edwards could see the fashionable European cut of his jacket, and the Hermes tie. "Phil-san, so good to see you again," he said shaking hands with Harris.

"Likewise, Hiro," answered Harris. "I'd like you to meet a friend of mine, who will be working with me at Chelsea Metals. This is Jamie Edwards. Jamie, Yamagazi-san, Head of Copper Trading at Kanagi Corporation, and I hope to become one of our best customers."

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“I don’t think one of the best, Phil-san,” smiled the Japanese, “I think definitely *the* best. So, Mr. Edwards, Phil has told me much about you. It is a pleasure to meet you at last.” Yamagazi fished in his jacket pocket, and then proffered his business card, held, with Japanese courtesy, in both hands.

Edwards reciprocated, and replied “It is a great pleasure for me to. I have heard a lot about you, not only from Phil, but also from many other contacts in the market. Your reputation as a physical copper trader is getting stronger all the time. And of course we have all heard rumours of your hedging activities on the LME.”

Yamagazi looked at Edwards’ card. “So, Trading Director. You’ll be the one who will make me the prices I need. I hope my friend here has explained how important it will be for you to be competitive so that I can place my business with you.”

“Yes indeed. I think the more we can help each other, the better it will be for all of us.”

“Come, let’s sit down,” said the Japanese. “Phil, I know you are an expert in Chinese food, but I came here a little early and I have taken the liberty of ordering a meal I think you will find interesting. This is one of the best restaurants in Hong Kong, and they have a wonderful menu.” Edwards noticed something he would get used to in the future - as Yamagazi began to relax with people, his English became more fluent and idiomatic.

Harris laughed. “Hiro, compared with you, I’m no expert. I’m more like a beginner. I’m sure what you have ordered will be excellent.”

“Also, as we have some serious things to discuss, we will just have Chinese tea with our meal. Time for some drinking later, right? I think you will like the club I have chosen. The girls are beautiful, including some Russians.” Yamagazi signalled the waiters to begin serving them. “Now, Phil, I assume we can speak quite freely in front of Mr. Edwards?”

“Yeah, absolutely. Jamie is an integral part of our operation, and he will be responsible for the making of prices for Kanagi to trade. The proprietary trading, the position taking for Chelsea,

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will obviously be a matter of policy decided by the three of us together. But you know Jamie's a very experienced LME trader, and, I have to say, more intelligent than most of them."

"Good. Now, Jamie - if I may call you Jamie?" Edwards nodded. "The potential of our business is enormous. I have managed to put together for the JSP a hedge plan which protects them, but also gives me huge power in the market, because of the volume I therefore have to trade. Clearly, it is in my interest to place this business through Chelsea, but I also have people watching audit trails in Kanagi. Therefore it is important to be able to demonstrate that trades we do together make economic sense for the Corporation, even though we know that may not always be the case." Edwards' face showed nothing, but his mind was racing. He was staggered at such an open admission of fraud by the Japanese. Yamagazi continued, "I am different from any other trader you will meet at a Japanese house. I can go into my boss tomorrow and threaten to resign, and he will not allow me to. Why? Because I am the only person within Kanagi who truly understands the copper position. Without me, they have no idea where they are. This gives me immense power, but I have to be careful to use that power sensibly, to prolong its life, if you like." He paused while the waiters took away the first course and brought the next. "We shall need to work very closely together, but you must understand sometimes I shall need a great deal of flexibility in answer to some requests I shall have. I understand from Phil that positions will all be cleared by BancSud. This is a company we do not know in Japan. I hope you are confident they will be able to do what we need."

Harris interrupted. "Hiro, at first as you know I thought we should use a well-known name. But Jamie introduced me to the chairman of BancSud, and I believe he is exactly what we need. He's greedy, and he doesn't really understand our business. To me, that means we're gonna be able to dress things up and blind him with science."

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“Yes, from our side it is acceptable. But don’t forget that we will also need to trade on behalf of the smelters, and that they must therefore be satisfied with the financial status of their counterparty. The accounts will be in their names.”

“Yamagazi-san,” said Edwards, “that should not be a problem. BancSud has one of the highest capital bases of all the brokers, and it is also a one hundred percent subsidiary of Banc du Sud, which is itself one of the largest banks in Europe. I appreciate they are not well-known in Japan, but I do not believe that it will be a problem to introduce their name. After all, the truth is we are not using them for their professionalism - in fact, we almost hope that’s lacking - but for the size of their balance sheet and their LME membership.”

“Yes. I think it will be possible, but it will depend on the strong personal reputation I have with the smelters. You see,” he looked at Edwards, “they trust *me* and *my* professionalism.”

Edwards was beginning to understand what Harris had meant when he had referred to Yamagazi’s ego. Napoleon complex, he thought, the guy can’t be more than five foot seven.

“I will need to visit my friends at the smelters to give them confidence in this BancSud. Phil, maybe you should come with me in order to explain all details to them.” Harris groaned inwardly. He’d done that tour before, and it was just an excuse for Yamagazi to demonstrate he had a pet westerner. “But something else, Phil, something maybe of significance. You know Matsuda, from Commet, is one of my very good friends in Tokyo.” Harris nodded. “Well, the smelter people have told me that he has become very active in approaching them for business, and when I asked him what was the reason, he told me McKee-san believed the time was right for smelters to look again at the possibilities offered by LME hedging. Right at the time we have made an agreement with them, I find this a strange coincidence. Do you think Commet know what we are planning?”

Edwards looked across at Harris and raised his eyebrows.

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Harris shook his head almost imperceptibly, which was missed by Yamagazi, who was just being served with another course.

“I doubt it, Hiro. As Jamie will tell you, McKee is like a jack-in-the-box, he’s always worrying away at some new idea. My guess is Commet Tokyo hasn’t been performing too well recently, and Matsuda’s just been given a kick up the arse and told to justify that big salary of his. You just concentrate on keeping your boys sweet. I’ll come round them all with you, in fact I’ve got with me the necessary account-opening forms and legal documentation to give you their authority to trade on their behalf. If we can get all that finalised with them, then that keeps us moving forward. Shall I come back to Tokyo with you now, tomorrow or whatever, or a separate trip?”

“If you can wait until the day after tomorrow, then that will be good. I have one or two other things to do here, and also that will give me time to set up meetings with smelters’ General Managers, who will have the right authority to sign our paperwork. Now, Jamie, as I said, I have to be careful to ensure the audit trail of my trading looks good. Therefore, I would be foolish to trade exclusively with one counterparty. I shall set up accounts, or in fact in some cases continue to use the accounts I already have in place, with several other brokers. This will enable me to spread my trading out.” He grinned. “But of course, my friend, as an interested party in the future of Chelsea Metals, I shall be able to ensure that we are always well-placed in the market.” Again, Edwards was astounded by how blatant it was. “It will also have the added advantage that you will be able to place some of our own business through my accounts elsewhere, to help disguise what we are doing. I shall maintain the relationship with Matsuda-san at Commet, and with Union. We shall have to see if Klaus is able to replace Phil at M and T. As the business grows, we shall need to bring in more counterparties. I shall be grateful for your advice on that subject.”

“Of course,” replied Edwards. “I shall give it some thought and maybe we can discuss it in a few weeks.”

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Yamagazi nodded sagely. "Good. I think we shall be able to work together most satisfactorily. So, let's enjoy the rest of the evening."

As he had promised, the food was excellent, each course chosen to compliment the others. Edwards discovered Yamagazi was a man of catholic interests, able to converse about a wide range of subjects, from Japan's growing interest in the game of rugby, to the origins of modern Japanese verse, to the potential political effect of Japanese investment on the Chinese government. He was clearly not the stereotypical Japanese businessman, with few concerns outside corporate promotion. Until it came to the table-dancing club, that is, when he behaved like all his compatriots that Edwards had met.

Wan Chai is not the most salubrious area of Hong Kong, but the club was already packed when they walked in at around ten thirty. There didn't seem to be any spare tables, but a quiet word from Yamagazi to the manager saw them miraculously found a table directly in front of the stage. A bottle of vintage Krug appeared as if by magic - together with Edwards' inevitable mineral water. Although in the past he had frequented a number of similar clubs in London, he had always been at the very least drunk when he went into them. This was the first time he had been to one since sobriety had been forced upon him, and he looked around himself with interest. The girls on the stage were dancing mechanically, fixed smiles on their faces. They were a mixture of Orientals and westerners, presumably the Russians Yamagazi had referred to. He, meanwhile, was again whispering to the manager, and a space was cleared directly next to their table. Three giggling Chinese girls came over, already wearing very little, and set to dancing while removing the remainder of their clothing inches from the faces of Edwards and his companions. Yamagazi was well down the bottle of champagne, and another was rushed to the table by a waiter. In the cold light of total sobriety, Edwards had to admit that the girls were extremely attractive, the more so as the clothes came off. But nevertheless, without the stimulant of

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alcohol, he found it difficult to get too involved. And so the evening progressed. Yamagazi continued to lay into the champagne, Harris joined him at a slightly more modest rate and Edwards found himself getting more and more detached from the whole affair. He could remember how he'd enjoyed himself before, how the girls had got progressively prettier and the dancing more erotic as the level in the bottles had gone down, but without drink it just wasn't happening. Anyway, he consoled himself with the thought that he at least would feel human when he woke up in the morning.

By around one thirty, Yamagazi seemed to be homing in on one particular girl, a blonde who must have been close to six foot tall. She was stunning, and her dancing was getting more and more explicit as Yamagazi paid for dance after dance in front of him, until she was left wearing nothing but a thin gold chain round her waist.

Harris leaned over and said to Edwards "Looks like our friend has fallen in love. Normal form is that he'll start negotiating to buy her out for the night pretty soon. He always likes the tall blondes. Anyway, once he's away with her, we can all go. Unless you're keen yourself, of course?"

"Phil, you know I used to be a big fan of clubs like this, but I'm still adjusting to life on mineral water. Quite frankly, if you're not getting pissed, it all seems a touch sleazy."

"Yeah, well. We've achieved the object of the exercise, anyway. Hiro likes you, and is happy with your degree of professionalism. He's gonna be quite ready to trade with you." He nodded in the direction of the Japanese, whose tongue was virtually hanging out as he watched the girl and simultaneously negotiated vigourously with the manager. "Looks as if he's about to set Chelsea Metals' expense account back a bit."

Yamagazi finished talking to the manager, and the girl slipped away. "Phil-san, I must leave," he said. "The Russian girl will be waiting for me outside. Thank you for a most pleasant evening, I shall call you tomorrow. Jamie, I have enjoyed meeting you." And

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he stood up and walked off, although he seemed to be having difficulty in not falling over. "Looking at the way he's struggling just to walk, she's not going to have much of a time of it," observed Edwards.

"Maybe not, but she's picking up a lotta dough. Come on, let's get the check and move on."

As they walked out of the club, Edwards asked, "So have you got another few nights the same to come in Tokyo?"

"No. I told you, he keeps himself very much in check at home. You must have picked up he's a very complex character. He just goes to a couple of drinking places most evenings, either with one of his buddies from the smelters or with Matsuda. Those two are very close. I really think I screwed up letting McKee know we were doing something. He's gonna be on Matsuda's back about it until he gets something. Anyway, Hiro understands the need to stay quiet."

"Well, I can easily do some business with Rory round there, to get their dealers on our side. I'd want to do that anyway, they're very good. And as long as Hiro really is discreet, like you say, we'll be alright."

The cab dropped them at the Star Ferry terminal, and they walked down the gangway onto the boat. It was the first chance Edwards had had to see the harbour in full night-time, with the lights from the buildings and the advertising signs blazing out over the water in a riot of light and colour.

Harris noticed him looking greedily at the view. "This is one of the best cities in the world. Stay a couple of days to have a better look at it. I've gotta go to a couple of banks with Hiro tomorrow - it's a bit delicate about financing, he won't have you there - and then off to Tokyo. But there's no immediate rush for you to get back, you may as well do some sightseeing. If you want any cameras, electricals or things like that, it's a great place to buy them." They were the only passengers on their side of the cabin. "I don't know if you've got your mind completely round this, Jamie, but everything's going like a dream. We've got pretty much

## Tarnished Copper

everything in line now, and when we hit that market, they won't know what's happening. We're gonna make fortunes, and all because of an egotistical Japanese who thinks he's bigger and better than his company. I don't recall saying this to you before, but he brought the scheme to me, not the other way around. It's his idea."

"How long do you think we can carry it on - realistically, until somebody gets too wise to what we're doing?"

"I don't know. At some point, we won't any longer be able to complete the circle with borrowings - even Kanagi's name won't support infinite amounts. The trick is, you and I gotta be out before we reach that point."

Edwards noticed there was no mention of Yamagazi also needing to get out, but thought better of commenting.

Harris continued, "That's another area where you need to be close to the market, we have to be able to keep track of the rumours. You better believe the regulators are gonna be on our backs, so we need the brokers on our side to help fend them off through the LME Board. So you need to let them make money sometimes out of the business you give them. If they rip you off for a buck here and there on executions, let them get away with it sometimes. Always concentrate on the bigger picture, the real total profitability. That's what matters to us."

In fact, Edwards actually stayed in Hong Kong for a week after that meeting. He went to change his air ticket the following morning, and was attracted to the Cathay Pacific girl at the desk. He persuaded her to lunch with him, and the result was that she went back to his hotel with him that day. He spent the rest of the week with her. What the clinic had done for his physical rehabilitation, the Chinese girl did for his mind. There'd been no true relaxation since he left there, he'd been plunged straight back by Harris into the world where money was the only object, it's power to buy anything demonstrated by Yamagazi in the table-dancing club. His body had been cleansed of the demands of the drug, but

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his mind was still in the same place it had been before. The Chinese girl slowed it all down, showed him a side of life that wasn't dominated by making money. They went to Lantau, where he saw the simplicity of the Buddhist monastery, they went to one of the fishing villages - not tourist packed Tai-O, but further out-where they ate fresh-caught fish (she assured him it was caught 'a long way out', not in the filth of the polluted harbour) and lazed away the afternoon in the sunshine, watching the boats come and go from the rickety jetty. And they took the hydrofoil across to Macao, where they gambled in the casino, not the pressured gamble of rigging a market, but insignificantly, for fun, for nothing amounts of money. They laughed a lot, that evening.

And at night, she was sensational. Her fragile body, so delicate, was attuned to his desires, her fingers and lips dancing a tattoo across his body that drove him to ecstasy. Countless generations of the oriental belief that the woman can control her man by pandering to his whims gave Edwards an interlude he wouldn't forget, an insight into the spell the east exerts on so many westerners.

He'd left the girl with assurances that he'd call, that she'd come to London. He knew already on the flight back home that he wouldn't try to see her again, that she'd just been the last part of the therapy.

The week with her didn't change him or make him a better person, but it put him back into balance. It gave him back a perspective on his life that the drugs had robbed him of years before. He knew what they were doing was if not technically illegal, then at the very least questionable, but he could now look at it with a more detached eye, as if he were playing a game. It made him a tougher adversary, not a softer one. He became focused on winning the game as quickly as possible.