

ROGUE TRADER

The story of how Nick Leeson bankrupted Barings Bank

INSTRUCTIONS: Using the movie “*Rogue Trader*”, and any other news-disc information as research, write a review of the movie. In this review you need to explain what occurred at Barings Bank that bankrupted the company. You may be critical of the movie; does it provide a clear representation of the mechanics behind the derivatives used and Nick Leeson’s *strategy*? In your review include an explanation of:

- What Leeson was investing in. Why traders invest in options and futures? What do these derivatives represent?
- How options and futures are leveraged; the risk and the potential huge returns.
- How Leeson’s speculations on the Nikkei index was wrong. What was his strategy?
- Leeson’s *problem* with margin calls – what is the difference between *being long* vs. *short* in futures contracts? (How did the making the contracts to market bankrupt the company?)
- The internal problems with Barings that *allowed* Leeson to do what he did.

NOTE: your goal is to explain the futures trading events of the movie that bankrupted Barings Bank if you were explaining it to your younger (grade 10) brother or to one of your peers not in this class! *Think of your review / explanation of Rogue Trader as “Futures for Dummies”!*

REQUIREMENTS: A review; you may use headings and sub-titles. Maximum two pages 1.5 space, 1” margins, word-processed.

EVALUATION: Your review will be graded out of 20, based on your understanding of the case and the clarity of your explanation.

| A+ | A | B | C | D |
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| <ul style="list-style-type: none"> • Clear and concise explanations with examples to clarify your ideas. • Facts are correct • Demonstrates a thorough understanding of futures, risk / return, margin and leverage | <ul style="list-style-type: none"> • Explanation is clear; some background knowledge in the topic is required for complete understanding | <ul style="list-style-type: none"> • Explanation of the main ideas; some details, relationships and affects of the events are not clear | <ul style="list-style-type: none"> • The basic facts are present; lacking clarity and full understanding of the relationships and affects of the events | <ul style="list-style-type: none"> • Lacking an understanding of the basic concepts of risk, margin and leverage • Does not appear to understand what futures are! |