

## Transcript

# THE ARTFUL TRADER

## Episode 4: A Pioneer's Journey to the Top with Peter Cruddas

Michael McCarthy: Evolution or revolution. How a master innovator changed the face of trading.

Peter Cruddas: They knocked on my door and they said, listen, you've spent a lot of money on this internet thing. You haven't launched it. Cut your losses now. I said, no. I said, it's going to work.

Michael McCarthy: The creative thinking that sees the internet as a business opportunity. We hear from one of the pioneers of the industry, Peter Cruddas, who pushed so many boundaries he rewrote the trading playbook.

All right. Welcome to The Artful Trader. I'm Michael McCarthy, the Chief Market Strategist at CMC Markets Asia Pacific. In each episode we'll hear the highs and lows from the trading experts, and discover their journey to mastering the art of the financial markets. Peter Cruddas is the CEO of CMC Markets, and one of the pioneers of the industry, embracing the new technology that was the internet. But his is not the typical evolution within the finance industry. He grew up on a council estate in London, and dropped out of school when he was 15. After working first as a Telex operator, then a trader, Peter started his own company in 1989 with 10,000 pounds, one desk, and one phone. Peter is a pioneer who radically changed the way we trade. He opened up the markets for individual traders, and built the first online Forex trading platform. With offices all around the globe, and over 60,000 clients worldwide, CMC successfully floated on the London Stock Exchange in 2016, and executes over 62 million in trades a year. From London, please welcome Peter Cruddas to The Artful Trader.

Dr. Peter Cruddas: All right then, fire away Mike. So how are you anyway? Okay?

Michael McCarthy: Yes. Very well. Thank you. Very well. Peter, if there's anyone who has witnessed the evolution of the markets, it's you. But I'd like to wind things back for our listeners here, back to where you began. Can you tell listeners a bit about your background, and how you got into the trading business?

Dr. Peter Cruddas: Well I guess I have to go back a long way really into sort of surreal memories of growing up. I'm a twin by the way. I've got a twin brother. So life at home was always very competitive. I always had someone to kick a ball with. The good news for me was that I was always better at sport than my brother. I always like to remind him of that whenever we meet up, because when he was a kid. I grew up

on a council estate in a rough part of East London. It was about survival. My dad was an inventor. He invented binge drinking, and so we never had any money.

At 15 I left school, primarily to bring some money in. I mean things were pretty tough at home with my dad and so on. My mum used to get up at five o'clock in the morning and clean offices, so it was pretty tough. But the thing that really helped me a lot was being a member of the Boy Scouts. It taught me how to be self sufficient, how to cook, how to iron, how to sew. It got me out of a difficult home life, and off the council estate when we used to go camping many many weekends. It really helped me to become an independent person. We used to go in for camping competitions, and swimming competitions. So I really learned to be self sufficient, and get through life.

So I got a job with Western Union, sending telegrams. I learned to type at the age of 15 and  $\frac{1}{2}$ , 16. I used to type the ticker tape. Remember, the little white ticker tape. I used to type messages. In those days the tape used to go through a machine and send telegrams all around the world. I was doing the night shift on Christmas Day at 16 and  $\frac{1}{2}$ . At 18 I was made redundant. But I had the skill, typing, which was quite important in those days. I got a job in a bank trading room, where I was able to call up different banks and ask them for the Deutsche Mark, or the French franc, or the peseta rate. Spotting forwards for the traders who would call out buy and sell. So I used to tie up the deals on Telex machines. I won't explain what a Telex machine is. If you don't know, just look it up on Google. But basically it's two computers connecting to each other.

By the age of 21 I was a trader, because I learned to trade, and I was quite good. Having quite a good brain and a high IQ helped me become a trader. So it was a back door way into the city of London. Not that I planned it that way, it kind of happened that way. But once I saw an opportunity, I seized upon it, and really worked hard at it. Then from the age of about 21 to the age of 35 I worked in various jobs in the city. For a couple of banks, and then a broker. I learned about futures. I learned about options. Trading deposits, trading foreign exchange. That got me to the age of about 35/36 where I did quite well for myself. I had a nice house. I had no mortgage. Then I decided to start my own company. I effectively started it off as a small brokerage operation. The niche for me was to try to offer wholesale prices to the retail market.

Michael McCarthy: So Peter, you started with a single desk, and a single phone. Is that what you're telling us?

Dr. Peter Cruddas: I remember it very well, because I took my wife. We had a new baby in February 1990, and we went on holiday in June 1990. That little baby we had who was a few months old is now a doctor working for the NHS. She just graduated as a doctor. We had another daughter who is two years older, and she's working in finance. Not for CMC I should add. But when I got back off that holiday in June 1990,

I hired a small office, serviced offices in the city of London. I think it was number three London war buildings. I got the basement office. There were no windows. There was just one desk, and a telephone. I had no Reuters.

I went into that office. Rather than working from a bedroom at home, I would get up at 5:30, 6 o'clock, because I was used to that. I'd shave, put on a suit. I'd come into that small office with no views, sit down, and work out what I was going to do. Because I didn't have some big master plan. CMC stands for Currency Management Consultants actually, where I created a consultancy. The plan was to talk to big companies about how to hedge some of their forward foreign exchange risk, and at the same time look at doing some brokerage operations.

I remember I wrote to about 100 companies, Sotheby's, Rolls Royce. I remember getting about a two percent response from the letters. But one of the letters was from Rolls Royce in Derbyshire. They said, we'd be very interested in hearing how you can help us hedge our foreign currency. Please ring this number. So I booked a meeting for six weeks later. About ten days before the meeting they rang up and canceled the meeting, and I never had the meeting. I thought, being a consultant, and helping people with my expertise is just too slow, it's not dynamic enough. So I just concentrated on the brokerage side.

I started to create trading lines, and so on, and got going towards the end of 1990. Then I had a stroke of luck, or misfortune for some, but luck for me. Saddam Hussein invaded Kuwait, remember, in August 1990. Created masses of volatility, and a lot of interest in different currencies, different markets. Metals were going up, currencies were moving around. So I got lots of potential clients trading, speculating on different currencies. From 1990 to about 1994 I created a really nice boutiquey business. By then I think it was called CMC Corporation. I had a really nice business. It was making money. I didn't draw a salary for a year when I first started the company, from 1990 to '91. Then it started to do well.

Then in 1994 I started reading about something called the internet. Bizarrely I thought, wow, this is going to be big. I saw the internet the same way as I saw Telex machines. Whereby you were able to connect to different organizations around the world. Because I remember I used to do money transfers for Western Union when they first started doing them back in the late 60s. We used to type up these money mandates, and send them to different Western Union offices around the world. That was right in its infancy of money transfers. But I realized also that it would be able to connect individuals to other individuals anywhere around the world.

Michael McCarthy: Peter, before we go down that path, can I ask. There's a certain level of daring to go into the unknown like that. You've rattled the established systems, you've opened up those boundaries. What does that feel like? What was going through your head?

Dr. Peter Cruddas: I'll be honest with you, I absolutely loved it. I love challenge. I love being disruptive. I love shaking it up. Because true entrepreneurs, there are all sorts of entrepreneurs. Some entrepreneurs buy existing business and break them up. Some create businesses out of nothing, which is what I did. We love change, and we love challenge, because we think that change and challenge gives us a competitive advantage. Actually it does. I often used to say to staff at CMC, and still do say to staff at CMC, back when I first launched internet trading I had about 25 employees in one office in the UK. Those employees, specifically traders, thought that the internet was a threat to their job. Of course, 20 odd years later we've got 1,000 people. We've got offices in 15 countries around the world.

So my advice to employees is never fear change. Never resist change. Always embrace change, and work with it. Back in October 1996 we launched Europe's first online trading platform. I'll come back to the journey on that. In about September there was a knock on my door. I had three directors in the company at the time. One was the finance director, and one was the company secretary. They knocked on my door and said, listen, you've spent a lot of money on this internet thing. You haven't launched it. Cut your losses now. I said, no. I said, it's going to work. Why that was entrepreneurial, which seems an easy decision now, was at that time probably nobody in the company wanted me to launch internet trading, because they saw it as a threat. The finance director saw it was draining resources. But I was on my own, and I stuck to my guns.

Michael McCarthy: Peter, how did you know it was going to work?

Dr. Peter Cruddas: It would probably be slightly disingenuous to say I really thought it was going to work. But it was that challenge, it was that uncertainty, it was that change that really inspires and encourages me. So you never know for sure. I never knew. When I invented Europe's first online trading platform web pages were static, they weren't streaming. Mobile phones were the size of house bricks, and they weren't smart phones. So you never know where the journey is going to take you. But it's about making sure that you're in the game, that you're working towards something. Then watch the opportunities open up, and try and seize those opportunities. I didn't know for sure at that time. But I wanted to keep pursuing it, because I thought if it comes off it could be absolutely fantastic for the company. If it didn't come off then we carry on. I guess it's about assessing risk. But it was also the excitement of it all. I was just so determined to take it to the next level.

To get back to the journey. Around 1994 I started reading about the internet. I decided that it was something we needed to get into. So I found some developers, who were actually telephone software engineers. We put together what I can only describe as a glorified email service. It was almost like sending an email, and someone responded to it quickly. The pricing was manually upgraded. We used to upgrade the Forex prices. That's all we had then. Back then there were no streaming Forex prices, we had to do it all manually. In October 1996 we finally launched our

first platform. It was the first in Europe, probably the first in the world for foreign exchange. So effectively from October 1996, my whole world changed. Because we started to get more and more customers, more efficiency, more transparency, and actually drove down the cost of trading financial products online to the retail market. One analogy I use when I'm on the road shows to investors is it's now possible for a taxi driver to pull over to the side of the road, trade any one of 10,000 different financial products from their mobile phone, and they would deal at the same prices as Goldman Sachs. I think that sums it up.

Michael McCarthy: Peter, what drove the desire to open the markets up to the masses?

Dr. Peter Cruddas: It wasn't necessarily a noble cause. I didn't want to be the big pioneer of bringing retail into the big financial markets. But there was a demand, and the service wasn't there from the big institutions, because they just wanted to do the big ticket stuff. That was the opportunity. If we could tap into that market, there was a big opportunity there. So it was really looking at the market, and deciding where I could make a difference. That was where it was. I used the internet to get to individuals, rather than telephones and Telex machines, because people couldn't afford Telex machines. They also didn't need Reuters machines then, because they could look at our pricing for the latest up to date pricing. Actually on the platform, the very first platform, I used to stream Reuters Forex prices next to our prices to show clients exactly where the market was. So they could buy and sell around our pricing, and compare them to the underlying market.

In 2000 we established an office in Sydney. At the same time we launched a product I can only describe as a generic financial product. A CFD, a contract for difference. Contract for differences and CFDs are not new. I mean if you take the ASX 200, the futures price in Sydney, that is a contract for difference. It may be traded on an exchange, but CFD is purely a settlement term. It's not a product in its own right, it is a settlement term. If you buy a futures contract through your futures broker on the ASX 200, at expiration you cannot take delivery of one 100th of one share, you can only own one share. So what you have to do with your futures contract is to close it out. If you're long, you sell. If you're short, you buy. The difference is your profit and loss. That's a contract, the difference. The S&P 500, the Dow Jones, the FTSE, the [? 17:36 CAT], the DAX, they're all contract for difference to adjust trading on a futures market. We took that concept. We weren't the first, in the sense that companies like Merrill Lynch and [? 17:50 Shearson] back then used CFDs for pension funds so they could avoid [? 17:55] the UK. It was a synthetic product. We took that concept, and we applied it across all financial products.

What we had in early 2000 was an internet platform whereby you could trade all these thousands of different products from one account. As opposed to opening a stockbroking account, a futures account, a commodities account, a foreign exchange account. So everything was on one platform. If you ask me about the unique selling

point of CMC Markets there are two or three things. One of them is clearly platform. Another one is pricing and execution, and also product. I mean being able to have all of these products on one platform enabled us to really build scalability into what we do as a company, and to drive down costs for the retail market to trade all of these different products across all the time zones from around the world.

Michael McCarthy: So we're up to the early 2000s Peter. We're on the verge of the trading revolution. What happened next?

Dr. Peter Cruddas: Well we started to expand around the world. We launched CFDs. We opened an office in Sydney. It was our first overseas office. I can only describe the period from 2000 up until today as an explosive period. As more and more things are happening around the world. I mean in 2000 we had the dotcom bubble. 2001 we had the awful 9/11 events. Since then there has been the Brexit vote.

Michael McCarthy: We had the GFC for example.

Dr. Peter Cruddas: Yeah. The global economic crisis. Exactly. So all of that fuels the interest of the retail market. Because if you look around the world now, especially in the UK, and also in Australia, and other countries around the world, governments are allowing individuals to control their own finances and tax efficient weights. In the UK we're seeing a deregulation of people's personal pension funds. Whereby you're able to take large lump sums out after a certain period of time, and manage those funds yourself within your own pension. We call it SIPP. I think you call it superannuation in Australia.

Michael McCarthy: Yes we do.

Dr. Peter Cruddas: So that's liberating the retail market. So there's a lot more interest. I mean Brexit in June 2016, which I'm really happy about. Back in 2016 it affected the stock markets, it affected the value of sterling. Sterling dropped 20 percent. So when you switch on your TV screen now there's always something related directly or indirectly to the financial markets. The retail market is being encouraged to manage its own financial affairs. This plays into our hands because you can trade the financial markets tax efficiently in the UK. You can use leverage around the world. You can get access to things like Facebook, and Alibaba IPOs, and so on. So it's a great space to be in to be honest.

Michael McCarthy: Peter, just as technology allowed you and CMC to bring the markets to the aspirational men in the street, it has also allowed the big players to bring their algorithms to bear in the market. Does the future of the markets belong to the robots?

Dr. Peter Cruddas: It's a bit too early to tell. I mean ultimately if you're trading in the financial markets, you have to get it right. There's all sorts of algorithms. I've been on this journey. I remember back in the 1980s, my chief executive who I worked for at a



brokerage company used to update his chartbook daily. But he used to get a printed version every week from McGraw-Hill in Chicago. I remember back in 1987 when the big stock market crashed we had a big hurricane in the UK, and trees were down. I remember he sellotaping two extra pages onto his chartbook, because the down line was so long that his book couldn't take it, which was crazy. I used to do the charts then as well. He used to give me some great education.

I remember a week after the stock market crashed. He used to hand me over his old book. When he got the new book on Monday, he'd hand me the old book with all his updates. He handed me this book with two pages sellotaped to the bottom. I looked at him. He handed me the book. I just threw it straight in the bin. I said, you know what you can do with that. I said, that's ridiculous. Why didn't you predict this movement? The thing about robots is I think there's a place for them. There's all different levels. I mean we read about high frequency traders. We do not allow robotic trading across our platform because we're across a public network. Effectively a lot of robots, or high frequency traders are trading market and technology latency. That's the key, if you're trading latency you're not actually trading the market, and you're not financial traders.

But will robots replace? I don't think so, because people like the experience. They like the control. They like the success of getting something right. They love the challenge. That's something. I mean what's the point in just pushing a button, and letting somebody else get all the excitement out of your trading, and then going off and playing golf? It sounds great, and I've tried it myself a few times, and it's great for a week. Then you get bored. You want that thrill, excitement, the adrenaline rush. You want to watch everything that's going on around the world, all the interrelated activities. That's the excitement. It's a very exciting thing to do, especially when you get it right. If you get it wrong it's the worst thing in the world.

Michael McCarthy: Peter, how will the industry keep evolving? What do you think are the next big changes?

Dr. Peter Cruddas: The industry is evolving really right across the board. I think regulations are changing all the time, and they're changing in line with government expectations. They don't want clients to treat the financial markets like a casino. This is not red or black, this is quite an intellectual, but exciting way to invest money. So regulators and governments are encouraging individuals to take control of their finances, which is a good thing. So I think that will keep going, keep going, keep going. Probably about 60 percent of our business is done on mobile devices, so mobile technology will keep improving.

I used to have an iPhone, and I used to have an iPad. Now I have an iPhone 7, I think it is Plus, where I don't use my iPad, I just have that screen. So I can trade from the iPhone. Not that I trade, but I can monitor from it. I haven't traded from the moment I started CMC back in 1990. I used to be a trader, and I traded very well,

and I made good money. With the profits from trading I started CMC. But from the day I started CMC, I haven't traded personal accounts at all, I've just focused on CMC.

Michael McCarthy: So Peter, you've been on both sides of the trade, you've been on both sides of the market. You were a trader. Now you're on the other side of it. You know that when traders get together one of the things they discuss most is the trades they've done. Have you got a memorable trade? Is there one that stands out that maybe you executed, or somebody executed on the CMC platform?

Dr. Peter Cruddas: The trade that springs to my mind was really the trade that kind of set me up on the path to starting my own company. So I was working for a futures broker. They were a Middle Eastern company. I set up trading rooms for them in Jordan, Washington, Geneva, and London. We used to have some big clients. But one day I said I wanted to trade my own account. They said, that's great, no problem. We used to split everything 50/50. So whatever trade I did, it didn't matter how big or small it was, the company got half, and I got half. That way there was no ambiguity about the winning trade in the morning was for my account, and the losing trade in the afternoon was for the company account. So everything was split down the middle 50/50. I can remember the Russian president Gorbachev speaking at the United Nations. A lot of dates have gone through my mind, and a lot of events, so I can't quite remember. It had to have been in the 1980s.

Maybe around '85, '86. Gorbachev stood up at the United Nations and said, we're going to cut military spending. I'm sitting there watching the speech in the trading room, and I thought, wow, this is going to be good for America, because it means they can improve their budget deficits. So I loaded up on dollar markup dollars. I sold Deutsche Marks, because that was the most liquid product at the time. I did my first 100 million dollar deal. I think it was 100 million dollars for me, and 100 million dollars for the company. I was accountable for my losses. The market went up about a percent in no time at all, and I banked a couple hundred thousand dollars for me, and a couple hundred thousand dollars for the company. Effectively I took that money and started CMC Markets. So that is probably the most memorable trade of my life.

Michael McCarthy: Peter, you have since gone on to set up the Peter Cruddas Foundation. You're the most significant supporter of the Duke of Edinburgh Awards, and you support other organizations in the UK and around the globe. Why have you chosen the philanthropy route?

Dr. Peter Cruddas: So if you remember at the beginning of the podcast, I talked about when I was in the Boy Scouts. I'm a big supporter of the Boy Scouts as well. People often ask me, I talk at universities. I love talking to young people, and budding entrepreneurs. They said to me, if you had gone to university would you be as successful as you are today? My answer to that is I don't know. However, I do



know one thing for sure, that if I hadn't of been in the Boy Scouts, I wouldn't be where I am today. The Boy Scouts taught me so much, and took so much pressure off of me. So drawing off my own experiences, as I became more and more successful, and felt the need to give more and more back to disadvantaged children, I targeted these organizations that helped young people when they're going through difficult periods, and it gets them on their feet. So the Duke of Edinburgh's Awards gained The Prince's Trust, the Boy Scouts, all sorts of organizations that help young people. It's great. It's fantastic. I love it.

I'll tell you one story. So I was at a Prince's Trust event. I'll cut it right way back. But a young girl came up to me, and she said to me, thank you very much. I just went through, congratulations, well done, you're doing well pulling your life around. She said, no no no. Effectively she said, look, cut all the bullshit. She said to me, listen, I was in prison for a bad thing. I was part of a gang, and I deserved to be in prison. But when I was in the prison I learned about The Prince's Trust. The Prince's Trust cannot achieve, cannot do what it's doing without people like you giving it money. She said, your money indirectly has allowed me to come out of prison to start my own company. But more importantly, my two kids have been taken out of care, and they're living with me now. That's what The Prince's Trust has done for me. If it wasn't for people like you, then I wouldn't have been able to get out of this terrible situation I was in. There's thousands of stories like that, helping young people. That one I remember well, because then she threw her arms around me, and gave me a big hug, and we were both sobbing. It was fantastic.

Michael McCarthy: What a special moment. Peter, what would you like your legacy to be?

Dr. Peter Cruddas: I don't think too much about legacies. I'm a bit selfish. I love working. I've been working for 50 years. I'm 65 next year, although I look a lot younger than I am. I like working. I've got no plans to retire. My kids are grown up. Maybe when people look back they'll say this guy came out of nowhere. I've got a twin brother who drives a black cab. My older brother drives a black cab. I invite people to look back and say, this guy had no advantages in life whatsoever. His family couldn't afford to educate him. Yet he ignored all of that, he got on with it, he worked hard, and he didn't do drugs, and he didn't drink a lot, and he didn't smoke. I eat too much. I eat chocolate, unfortunately, too bad.

Michael McCarthy: I'm pleased to know you're human Peter.

Dr. Peter Cruddas: Exactly. But I'd like for people to look at me as an example of somebody who has made a lot with his life despite coming from a very disadvantaged upbringing. That would be a nice thing, and hopefully will be an inspiration to others.

Michael McCarthy: That's magnificent. Peter, thanks very much for your time today.

Dr. Peter Cruddas: It has been a pleasure Michael. I look forward to catching up with you soon. Thanks a lot.

Michael McCarthy: That was Dr. Peter Cruddas, the CEO of CMC Markets. Read more about him on a blog post available only on our website at [theartfultraderpodcast.com](http://theartfultraderpodcast.com), where you can also access some limited time offers for new and current clients. The Artful Trader is an original podcast series by CMC Markets, a global leader in online trading. To stay up to date with the new episodes, subscribe now on Apple Podcasts, or wherever you get your favourite podcasts from. Make sure you share it with your friends, and leave us a rating. I'm Michael McCarthy, and this is The Artful Trader.