

The Master Agreement



Emanuel Derman recently discovered this draft of a proposal between one Master of the Universe and another

God makes the following contract with me:

Article 1

No major declines in the net trading gains of my Desk until I acquire an equity stake in the profits of the entire firm; then, after some years, eventual loss of position, if it occurs, not by layoff, scandal or firing but by apparent retirement to spend more time with my family.

Article 2

Each year, no more than three down months, no more than two of them consecutive. My marks are never questioned.

Article 3

Net losses on my Desk during my lifetime at one firm will never exceed net gains by more than a factor of five. Losses will take place no earlier than after the payment of my third annual bonus.

Article 4

The media will make no comments about my dwellings, islands, golf clubs, yachts, private jets, helicopters, wives and mistresses. James Cramer never utters my name.

Article 5

This Agreement has jurisdiction only over my Desk's P&L. None of its privileges extend to my PA.

Article 6

God's right to early termination. The execution of similar trades for both the Desk and the PA will cause this Agreement and its privileges to cease immediately.

Article 7

The following miracles will be neither perceived nor suspected by anyone.

Article 8

The privileged being, by unobtrusively rubbing his Blackberry while looking at a colleague, will cause the colleague to feel benevolence towards him. This miracle can take place only four times a year.

Article 9

No more than twice per week, while conversing with a superior, the privileged being will be able to anticipate the remainder of the superior's sentence after hearing the first three words uttered.

Article 10

Miracles in the eyes of all those who do not know him: the privileged being will have the charisma of Michael Milken before 1986 and the reputation of John Meriwether before 1998. He will play poker, pool, golf and squash perfectly, but can never win more than \$100 at these games, except at events where all proceeds go to charity.

Article 11

Eight times a year, for one week at a time, the privileged being can become expert at the trading of any security in any market

he desires, but this expertise will not provide him with any special knowledge of the future.

Article 12

When the privileged being puts in his pocket a Palm stylus he has touched to his mouth for an instant, the Desk's portfolio will become invulnerable to market moves for a period of one hour. This privilege can be invoked only once a month.

Article 13

Eight times a year, a tiny flashing light on a Bloomberg screen will indicate to the privileged being a security that will have a 75:25 chance of outperforming the market by 10% for one month. This light will be invisible to all but the privileged being.

Article 14

The privileged being, on being confronted with the consequences of past decisions he has made, will be able to deflect all criticism by uttering the following words: it is what it is.

Article 15

Expletives uttered by the privileged being while trading will have no consequences. Unwise remarks over recorded lines will fail to be preserved. Such privileges extend only to issues of business; the privileged being will still bear the full consequence of any actions or remarks related to his personal life.

Article 16

Once a month, if it rains at 9pm, by rubbing his Blackberry twice the privileged being can ensure that all other employees seeking car service will be detained in their offices until 9:10pm.

Article 17

The privileged being may cause 10 trades a year to be DK'd without any consequence, but none with counterparties to whom he has personally spoken.

Article 18

Once a year, by resting a Palm Pilot on the desk of anyone who disapproves of someone he wants to hire, the privileged being can convert this disapproval to enthusiastic admiration. Three times a year, upon request, the privileged being can diminish the losses in the position of any other trader by three quarters. Upon request, he can obtain for a suffering trader a quick lay-off with ample severance.

Article 19

One hundred times a year, the privileged being can reduce his sleep to two hours, but with the physical effects of eight.

Article 20

The privileged being will never be more unhappy than he was during the market crises that took place between August 1, 1998 and January 1, 1999.

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(Adapted from Stendhal's Privileges as translated by Richard Howard)

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