

BLIND SPOTS MINI-DOCUMENTARY TRANSCRIPT

Jay Nolan

To this day, it's mystifying to me that I could have let it go so far.

The mistakes I made...

I'm not a swindler, you know, or a natural-born liar. I knew it was wrong from the start. I managed to justify it to myself and then at the end, I entertained what I guess were delusional thoughts to support that whole fantasy.

Narrative Slides

On November 24, 2009, Jay Nolan was arrested by the FBI. Once a prominent fixture in the bond trading pit at the Chicago Board of Trade, Nolan stood accused of defrauding investors of more than \$6 million. Jay's arrest and the revelation of his years-long fraud shocked those who knew him best. How could someone who seemed so unlikely to cross the line end up capping a long, successful career by serving a prison sentence?

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Blind Spots

Jay Nolan

What attracted me to the Board of Trade was the energy; the electricity on the floor. There's a certain kind of energy when a person can take risk and profit from it and take risk and lose from it. It's a different kind of energy than the normal work environment.

I was paying the bills and maybe making a little extra as a clerk in the silver and gold area and then a friend came in one day and said this new t-bond futures contract is all of a sudden — the interest in it is picking up. Salomon Brothers, the world's biggest bond trading company, came in from New York and decided that they wanted to participate in that market and they were looking for a broker. They threw their business out to competition for about a month and I won the competition. All of a sudden, there I was — a broker for Salomon Brothers.

The income was quite a bit more. But mostly, I was just caught up in the game of it on the trading floor. I placed 12 billion dollars into the market — in one day. That was a record. That shattered any volume records in futures. And to me, the game of it was more important than the money. To be master of the game was far more important to me.

The volatility was huge. The risk was ginormous. And at the end of the day, I was just happy not to be destroyed financially. I had had some gut-wrenching losses on the trading floor. I think I lost \$125,000 in a day early in my career — double my net worth at the time. I remember my clearing member talking to me he said, "Well, what are we gonna do?" And I was like, "I don't know. What's the procedure here?" And he said,

“Get out of here and go make it back!” That was an early tone setter for my whole career, and that was the general attitude of being a professional trader. I mean, it was going to be made back.

Narrative Slides

Jay made the money back — and then some. Over the course of his 21-year career as a bond trader, Jay’s gross earnings were estimated to be between \$40 million and \$50 million.

In 1998, Jay’s wife died suddenly, leaving him with five young children to raise. He left the bond pits to spend more time at home. Jay wasn’t keeping up with the market on a daily basis and didn’t notice that patterns were shifting in a major way. In this new, less familiar investing environment Jay’s belief that losses could always be made back created a major blind spot that would ultimately lead to his downfall.

Jay Nolan

Someone approached me in 2004 and said, “We heard you were a successful commodities trader at the Board of Trade at one time.” And I said, “Well, ‘at one time’ is the operative phrase there. That was 10 years ago.” And they responded, “We want to be in that sector.”

And I thought, “Well, how bad can this get? I’ll buy a couple of gold, a couple of oil. If it doesn’t work out, I’ll give him his money back.”

So, I started around the beginning of ’05. Mom and pop capital was starting to come on to these commodities markets which, in perspective, they’re tiny. So, big capital coming into tiny markets, prices go up. Having traded them and watched them for 30 years, oil at \$70 didn’t make any sense to me. So, I shorted it and got killed.

At the time, the fellow would just ask me, once in a while, how the fund was doing. And my thought when it first started taking losses was, “Well, been here before; had some gut-wrenching losses on the trading floor; always made it back.” So, when the fellow said, “How’s my account doing?” I said, “It’s doing okay.” I justified it by knowing — by *knowing* — that I would make the money back. I had never failed to in the past.

At the end of six months, I had lost half the money. Then by the end of that first year, that money had been recouped and it was actually up 19%, or something like that on the year. A net gain of 19% in a year. In retrospect, that was probably the worst thing that could have happened because the elation of actually delivering on that promise — it was beyond the highest high that you can imagine.

In year two, I experienced some further losses. And again, the fellow would just ask me when I saw him, “Hey, how’s the account?” I said the same thing, “It’s doing okay.” Meaning, it *will be* doing okay.

It started to creep into my consciousness that I was in a mess. Then it was like, well, the only way to get out of this mess is to trade successfully. The minute I’m back to where I’m supposed to be, I’m closing it down; returning the money.

So, I continued to soldier on if you will, and the rest is history. I never did recover.

Narrative Slides

Over a period of four years, Jay lost several million dollars of his investors' money trading commodities. All the while, he kept this information from them. He initially began misleading them by verbally telling them that the account was doing fine. Later, Jay began giving them fake statements.

Jay Nolan

Well, at some point, the gentleman in question requested a paper statement. So, I made a paper statement which substantiated what I had been telling him verbally all along. I really started to feel like a major moron at that point. My self-esteem plummeted with every statement. And I redoubled my resolve to find that winning trade.

Narrative Slides

Jay's lies were revealed when one of the investors called the trading account clearing firm to verify the account balances. Jay had reported to investors that the account held over \$6 million. The actual balance was less than \$300,000.

Jay Nolan

And I was arrested. Of course I was in shock. There was no trial. There was never going to be a trial because I had made a statement on the phone to the investor and turns out he had it on tape.

I was convicted on one count of mail fraud and I was sentenced to 60 months, which is five years.

Narrative Slides

Jay reflects on lessons he has learned.

Jay Nolan

If it feels wrong it is wrong. And, I know the pressures can be huge. They can be — they will be specific to our upbringing as well. And, I will never again do something that I know is wrong, by the way. If it feels wrong, I'm out. I'm not doing it. And the fact that I had to go to this extreme, to this day, it's mystifying to me that I could have let it go so far.