

Behavioural patterns in rogue trading: Applying control balance theory to the rogue traders Nick Leeson, Jérôme Kerviel and Kweku Adoboli — Part 2

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Source: Journal of Financial Compliance, Volume 1 / Number 3 / Winter 2017-18, pp. 276-284(9)

Publisher: Henry Stewart Publications



Abstract



References



Citations



Supplementary Data



Suggestions

When analysing great financial disasters of our time, rogue trading and related protagonists immediately emerge as factors. Rogue trading is a reoccurring phenomenon, gaining immense public attention due to the perceived mismatch between large-scale organisations on the one hand and individual employees bringing these organisations into enormous trouble on the other. It furthermore links to the understanding of fraudsters like rogue traders, embedded in (un)ethical organisational corporate corpuses. This paper employs Tittle's control balance theory (CBT) to explain rogue trading as a special form/subset of white-collar and corporate crime. We use CBT to analyse the anatomy—including modus operandi, risk management failures and control weaknesses, as well as early warning signals— of three major rogue trading losses from recent investment banking history, that is Nicholas ('Nick') Leeson at Barings Bank, Jérôme Kerviel at Société Générale and Kweku Adoboli at UBS, totalling a loss exceeding US\$10.5 bn. We draw conclusions regarding the explanatory power of CBT in light of rogue trading, as well as behaviour risk management and control in order to prevent rogue trading, and outline future areas of research.

Keywords: behaviour risk management; control balance; deviance; rogue trading; unauthorised trading

Document Type: Research Article

Publication date: 01 December 2017

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