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Insider's view on UBS rogue trader Kweku Adoboli

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By [Greg Secker](#)

Since the news broke of a UBS trader raking up losses of \$2.3 billion one of the big questions, apart from how did his actions go undetected for so long, has been how can someone lose so much in exchange traded funds?

There isn't really a surprising answer here. Kweku Adoboli began his losing streak three years ago. In that time he consistently didn't hedge his trades and believed his next move would be the one to bail him out and save him. Once a trader is in that mindset making big trades to bail out bigger losses, it's a very slippery slope.

One of the revelations is that Mr Adoboli allegedly used the knowledge he gained from working in the back office at UBS to cover up his losses and remain undetected for so long. But this shouldn't be surprising; there is a history of rogue traders beginning their careers in back offices, with Jérôme Kerviel at Société Générale the most notorious.

Many people never actually apply for a trading job in the City; instead they start in the back office and then work their way up. There's nothing extraordinary about this, it happens in many workplaces. But in investment banks it means the newly promoted trader has several years of experience and knowledge at how to set-up sub accounts, gain access to the systems and know what checks are in place.

This shouldn't taint all the honest young workers who are currently sitting in back offices with aspirations to move to middle or front offices in the future. But it can't be ignored that when the switch does happen, that trader has insider knowledge about the system and that immediately presents a risk to the company.

All currency traders run sub accounts – that's a fact – but their different reasons for doing so makes it hard to tell which ones are legitimate. What we can say with certainty is had Adoboli's trades been successful, we would never have heard about it. Banks praise and punish for good and bad results; the trader's intentions do not matter.

As with previous banks involved in similar cases – Soc Gen, Barings – UBS is claiming ignorance to Adoboli's losses, saying that they alerted authorities as soon as they knew. However they only knew when Adoboli came clean and told his colleagues. The fact is this wasn't a one-off, it won't be the last and there are other traders out there now who will know at some point they were close to being in the same situation.

If there's one question that UBS cannot wriggle free of, though, it's the appointment and competency of their risk manager Maureen Miskovic. Miskovic's CV reads like a who's who of troubled banks and rogue traders, with previous employers including Barings, Lehman Brothers and Société Générale, before UBS appointed her the safe pair of hands to steer them through recovery.

The role of the risk manager is to ensure all the procedures and checks are in place to avoid these situations; that is their job. In reality however they are implemented by very junior workers in the back offices. Junior workers who a few years ago went by the names of Kerviel and Adoboli.

Greg Secker is a successful former trader who retired at 27 to run his own training centre for foreign currency traders called [Knowledge To Action](#).



Greg Secker gives his view on the UBS rogue trader scandal



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UBS rogue trader Adoboli remanded in custody until Oct 20th

UBS rogue trader Kweku Adoboli appeared in court today and has been remanded in custody until October 20th when he will return to face a committal hearing.



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