

UNFOCUSED



THEY SAID IT... THE BUSINESS MENAGERIE

A judicious choice of independent non-executive directors can curb or cure the worst excesses of the boardroom, so says business author and chairman of Novaquest Capital Management, Gerry Brown. To this end his latest book about effective boardroom presence takes the zoo as its inspiration. How many of the beasts of the board can we recognise in financial services?

The Independent Director: The Non-Executive Director's Guide to Effective Board Presence by Gerry Brown is published by Palgrave Macmillan.



The Rhino

Aggressive, inclined to argue, but often knowledgeable (a nightmare to work with). Most likely to work for: a large investment bank.



The Donkey

Willing and dependable but slow. Too quick with answers (often verbose). Most likely to work for: a long-established building society.



The Bear

Analytical, collegiate, observant and a results-oriented strategic thinker. Most likely to work for: whomever they choose.



The Paper Lion

Often chairman, thinks it is king of the jungle but can often just be a superannuated figurehead. Most likely to work for: a multinational bank.



The Cuckoo

Pragmatic, sneaky and soon off elsewhere before getting found out. Talks apps and digital incessantly – a “disrupter”. Most likely to work for: a fintech start-up.



The Tiger

Looks the part, very political, attacks rivals with cunning strategy. Often vain (refuses to mentor staff). Most likely to work for: considering consultancy work post-Libor.

BOOK REVIEW

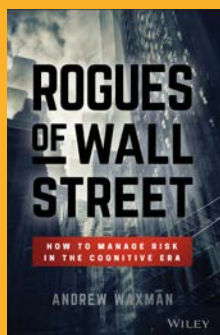
Rogues of Wall Street: How to manage risk in the cognitive era

Andrew Waxman

Wiley (£39.99)

FS Focus rating:

★★★★★



SMARTER GUYS IN THE ROOM

There's a difference between a rogue trader and a genius trader. After losing his employer tens or hundreds of millions of dollars, the next career step for a rogue trader is likely to be jail. For a genius trader on the other hand, such as John Meriwether (Salomon Brothers, LTCM, JWM Partners), losses racked up at one financial institution may be explained away as the genius moves to another firm or starts another hedge fund.

But how do you spot rogue traders and geniuses before either of them start blowing up the balance sheet? That's where this book comes in. It's a forensic analysis of the different types of trading risk that financial institutions are prone to. Add to that list insider trading, price manipulation (Libor-style), Ponzi schemes (Bernie Madoff), money laundering, rogue computers, cyber security and even Twitter/fake news risks. The losses discussed in this book alone amount to \$60bn. “No one said that running a global bank was easy,” writes author and IBM financial risk consultant Andrew Waxman.

He mines the rich seam of real-life examples of failure and wrongdoing. Much more importantly, he explains how to identify these risks and the controls that can be put in place. Sometimes they are pure common sense: “If you are ever presented with an opportunity to invest with or take on a genius trader who has suffered a misstep, don't take it.”

The second half of the book moves on from a catalogue of disasters to a catalogue of tools to prevent them. First among these are the values and culture of an organisation, a well-designed risk management function and a common understanding of what exactly risk is. The new, heavyweight weapons are behavioural science and cognitive technologies, such as those deployed in trader surveillance technology.

This well-researched and surprisingly easy to read textbook will certainly interest anyone who thinks it's impossible to manage trading risks – and should be read by anyone whose job it is to do just that.

Andrew Sawers