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Rogue Trader Leeson Turns Risk Adviser

Consulting venture with operational risk expert Mike Finlay offers expertise on governance, culture and controls

By Katherine Heires

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Nick Leeson, the rogue trader who spent four years in a Singapore jail after taking down Barings in 1995, has since shown a penchant for reinvention. He overcame a cancer diagnosis; recounted his experiences in two books (“Rogue Trader” and “Back from the Brink: Coping with Stress”) and on the speaking circuit; earned a psychology degree; was CEO of a soccer club in Ireland, where he now resides; and was briefly a partner in a Dublin-based bankruptcy advisory firm.

Now, 20 years since his arrest, Leeson is offering himself up as a risk management consultant.

In November, Leeson joined with operational risk management expert Mike Finlay in announcing the formation of Risk Team Limited, an education and advisory firm that offers, according to its [website](#), “to better understand your risks and exposures, to optimize your governance, control and quality management environment, so as to establish the appropriate ethical culture within which you conduct your business.”

Leeson unabashedly presents his background as an asset, with a statement on the home page: “At Barings, we were all in silos; it was me and my team, versus London, versus the markets; there was no concept of ‘one firm, one team.’ No surprise we had ethical issues . . . “

The 48-year-old tells GARP in an interview that Risk Team can help with a range of concerns, risk training and questioning of procedures. It will home in on operational and cultural weaknesses and help turn them around.

“Sometimes the people who subvert the system are the best ones to show and examine what the shortfalls are,” Leeson says. “While systems and people may have improved, there is still a lot of risk in the system.” Risk and control lapses at Volkswagen, Talk Talk and JPMorgan Chase & Co., for example, indicate that the problems are not unique to any one sector, and Risk Team says it is prepared to help address behavioral, cultural and governance issues globally, in finance and beyond.

Leeson and his partner, Finlay, each has the title of director at Risk Team, which lists a registered postal address in West Midlands, U.K. The firm is affiliated with RiskBusiness, a publishing and solutions group of companies of which Finlay is CEO. Finlay is also vice chair and fellow of the [Institute of Operational Risk](#).

Lack of Challenge

Leeson acknowledges that the ethical choices he made at Barings were wrong, but he is quick to point out that the systems – or lack of systems – in place did not help steer him toward better choices. A young trader in his 20s, he was handed a great deal of responsibility as head of futures trading in Singapore. The bank allowed him to be a chief trader and to settle his own trades.

As a head trader at a distant outpost of London-based Barings, he did not want to ask for or admit to needing help, nor was he encouraged to. Leeson stresses that during his three years in Singapore, his own actions were never truly challenged.



Partners in Risk Team: Nick Leeson, left, and Mike Finlay.

“If people running a business – the board and senior managers – don’t have an appetite to ask difficult questions, it becomes impossible to challenge employees” and, therefore, to conduct proper risk management, Leeson says. Now he hopes to use his “applied” expertise – he acknowledges that he has no formal university degrees or credentials in risk management – to help senior managements close such gaps.

Partnership Born

Finlay says that he and Leeson first met five years ago at a conference where they were both speakers. Finlay finds it admirable that Leeson “tells it like it is.” He accepts responsibility for his actions at Barings and “wants to help other firms avoid the mistakes made in his particular case.”

“When it comes to corporate governance failings and inadequate control environments, Barings is one of the best case studies,” Finlay says, and is relatable to more recent occurrences including JPMorgan’s London Whale episode and the Libor-rigging cases affecting a range of banks.

Finlay likes to use the term “rogue employee,” saying companies always need to ask and investigate why an employee went rogue.

“When we look at the rogue employees who have been accused and found guilty of manipulating the Libor interest rate, do we honestly believe that the senior management at these firms had absolutely no idea of what was going on?,” Finlay says. Citing the need for improvement in corporate and risk governance, he adds, “A lot of what we are talking about boils down to human behavior and trying to change human behavior, a notoriously difficult to do.”

On Leeson’s notoriety, Finlay states, “Let’s not beat around the bush. Nick’s name is well known, and when he’s on the other end of the phone, people are more likely to take the call. He adds a certain door-opening ability.”

Times Have Changed

Opinions about Leeson are mixed – and strong.

“Nick Leeson is unlikely to convince serious professionals that he can add much to what they know. He is 20 years out-of-date,” says Roy Smith, professor of management practices at the Leonard N. Stern School of Business, New York University. “What he did back then would never go undetected today,” Smith notes.

Smith sees it as a different story from that of hackers who go to work for corporations, as they can simulate what other hackers might do and thus make a demonstrable contribution to risk management and security.

Robert Iommazzo, a risk-management-focused executive search consultant with SEBA International, believes Leeson “might have a lot of insight that institutions could take advantage of.” But his timing for entering risk consulting would have been better five years ago. “Peoples’ memories fade and there’s a new generation out there,” Iommazzo says.

Michael Pinedo, who teaches operational risk at NYU’s Stern School, says that Leeson “put operational risk on the map,” and his celebrity helps to bring attention to an important subject. But there are limits to what he can impart to today’s executives “because so many of the procedures have changed.”

Leeson’s perspective: “When things are going well, complacency often sets in, and people often forget the important lessons of the past and the need to ask tough questions. I think we need cautionary tales and to be reminded of best practices, to make sure businesses don’t lose track.”

Katherine Heires (mediakat@earthlink.net) is a freelance business and technology journalist and founder of MediaKat LLC.