Research conducted for Dr. Robert Hurley's Leadership Trust class at the Fordham Graduate School of Business Administration

WHEN GOOD BANKS GO BAD, BAD TRADERS ARE GOOD (UNTIL THEY'RE NOT)

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<u>Société Générale: France's Formidable Financial Institution</u>

Articles about the Société Générale ("SocGen", "the bank") trading scandal published immediately after the scandal cite SocGen's sterling reputation. *The New York Times* referred to SocGen as "one of France's largest and most respected banks" and a "venerable French institution." *The New York Times* further notes that SocGen had "120,000 employees and 22.5 million customers worldwide" [1] at the time of writing. In 2006, *Euromoney* named SocGen "the world's best bank".[2]

More ironic than SocGen's image as a reputable bank was its reputation for risk management. In January 2008, the same month in which Jerome Kerviel's $7 billion trading loss was revealed, SocGen received the "derivatives house of the year" award from *Risk Magazine.* *Risk Magazine* is a publication focused on financial risk management news and analysis. The *Risk Magazine* article on SocGen praises the bank for its risk management skill and quotes SocGen's head of Corporate and Investment Banking saying that the bank's losses due to the volatility in the global market were "relatively minor and entirely manageable."[1,3,4] For purposes of clarity, the *Risk Magazine* feature was published before the trading scandal was uncovered. The quote from the head of Corporate and Investment Banking relates to losses from the deepening global economic crisis from which SocGen announced €2 billion of losses in January 2008 (SocGen lumped the announcement of these losses in with the losses of the trading scandal, which conveniently overshadow the bank's ex-trading scandal losses).

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[1] "French Bank Says Rogue Trader Lost $7 Billion," *The New York Times*, January 25, 2008

[2] "The Omen," *The New Yorker*, October 20, 2008

[3] "French Bank Rocked by Rogue Trader," *The Wall Street Journal,* January 25, 2008

[4] *Risk Magazine* website (www.risk.net)

The Trust Violation

To briefly summarize SocGen's trust violation, Jerome Kerviel, one of the bank's traders, committed five illegal acts. He engaged in unauthorized trades (intra-day trades and trades that exceeded trading limits), concealed his trading activities by entering daily offsetting trades to divert attention from unauthorized overnight trades, created fictitious trades to conceal gains, used computer systems in unauthorized ways to facilitate his activities and enlisted the assistance of colleagues to help evade detection by compliance officers. Kerviel admits that his first instance of unauthorized and concealed activity was in July of 2005.[5] He took increasingly significant risks with the passage of time as his activities went undetected or were ignored by the bank. When Kerviel's activities spiraled out of control in January 2008, the bank posted $7 billion in losses.

Root Causes: The Official Findings

Though initial news accounts of the trading scandal characterize Kerviel as a "rogue trader" solely responsible for the bank's losses, subsequent articles, particularly those that discuss SocGen's internal investigation conducted by PriceWaterhouseCoopers (PwC), point to problems within the bank as enabling factors.

PwC cites the bank with five failures in its report. The first two of those failures fall into the ***Selection and Management of People*** construct of the Organizational Performance and Trust Model (OPTM). These failures are seen in the poor selection of competent personnel for key positions, such as the position of supervisor of the Delta One trading desk, of which Kerviel was

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[5] "The Omen," *The New Yorker*, October 20, 2008

a member, and lack of coaching for that supervisor.[6] When Kerviel initially joined Delta One, there was no trading desk supervisor making it easy for Kerviel to initiate his unauthorized activities. Eric Cordelle was eventually hired for the role, but "didn't regularly check the database containing individual traders' transactions, which would have revealed abnormalities in Kerviel's accounts. Cordelle was given scant guidance for managing a trading desk; his priorities were undefined and his supervisory techniques were never examined by his supervisor."[7] After Cordelle was fired, he admitted that he was "unqualified to supervise a trading desk."[6]

What's more, risk and compliance officials who were examining Kerviel's activities near to the time that the scandal was uncovered did not appear to have the requisite skills to competently perform in their job functions. *The New Yorker* notes that in early January 2008, risk and compliance officials were reviewing certain of Kerviel's forward transactions. (Basel III regulations aimed at improving risk management in the financial services section went into effect on January 2, 2008. These regulations required banks to maintain higher levels of capital to offset risks like those created by Kerviel's forward contracts). According to SocGen's investigation, the risk-control officer who questioned Kerviel on these forward transactions, admitted that he "did not understand" Kerviel's responses to his questions on the transaction. [7]

The third failure of the bank, according to PwC, was that Kerviel was allowed to take unauthorized intraday trading positions. The compliance system was not structured such that it detected intraday trading, a loophole Kerviel identified and of which he took advantage. As *The New Yorker* reports "Kerviel observed that it was possible to carry out unauthorized trading if the trade was "intra-day"… it wouldn't show up as an open position in the bank's daily account

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[6] "Société Générale Doubly Damned by Kerviel Scandal Reports," *Forbes*, May 23, 2008

[7] "The Omen," *The New Yorker*, October 20, 2008

reconciliations." The insufficiency of the bank's risk management systems to detect an activity that the bank prohibited shows ***Systems*** failures.

The fourth of SocGen's failures was its repeated ignoring of red flags. The PwC report notes that there were a significant number of occasions on which Kerviel's actions should have raised red flags within the bank. Media accounts on the number of red flags that Kerviel's trading activities generate vary. According to *Forbes*, thirty-nine flags were raised by Kerviel's activities. *The New York Times* reports seventy-four.[8] *The New Yorker* reports ninety-three.[9] Kerviel notes that he found it "incredible that no one came to talk to him about (these compliance notices)."[6,7]

This is the most troubling revelation of the PwC report. If the high end number of ninety-three is correct, Kerviel's activities generated an average of one red flag per week for two years. If the low end number is correct, Kerviel's activities generated one red flag every other week. It highlights problems with the ***Values and Competencies*** construct of the OPTM, which will be discussed more fully below.

The final failure PwC notes is the fact that Kerviel was able to use his knowledge of the bank's middle office, where Kerviel commenced his career at the bank, to circumvent the bank's compliance procedures. The report notes that the middle office lacked the resources and seniority to "hold traders in check", and that its priority was to ensure that trades were "properly executed rather than within the rules".[10] This statement is paradoxical as if trades are *not* executed within the rules, can they be *properly* executed? Notwithstanding this ambiguous language, the

[8] "Société Générale Doubly Damned by Kerviel Scandal Reports," *Forbes*, *May 23, 2008*

[9] "Rogue Trader at Société Générale Gets 3 Years," The New York Times, October 6, 2010

[10] "Société Générale Doubly Damned by Kerviel Scandal Reports," *Forbes*, May 23, 2008

overriding implication is that there are ***Structural***, ***Systems*** and ***Values and Competencies*** issues within the bank. If the middle office, where risk management and compliance reside, is to protect the bank from risk and ensure that the bank's policies and government regulations are adhered to, then the middle office needs to be empowered to perform its function. Instead the compliance team kowtowed to the traders and "the highly profitable Delta One team flouted the bank's rules."[10]

Root Causes: The Organizational Performance and Trust Model Findings

Though infrequently cited explicitly in media accounts of the PwC report (I was unable to locate the actual report), SocGen's biggest problem seems to be its corporate culture, or ***Values and Competences*** construct. Its cultural problems permeated the organization and manifested itself in numerous areas of the OPTM including the bank's ***Mission and Strategy***, ***Leadership***, ***Structure*** and ***Systems***.

The Blame Game

The tone and language that SocGen used in discussing the scandal is quite revealing of the company's culture. These insights into SocGen's culture are provided in official bank statements and in quotes from its senior executives.

In learning from many American corporate and political scandals, the most expeditious and trust inducing way to move forward from blunders is to acknowledge one's fault and take responsibility. SocGen did not do this. The bank instead made every effort to distance itself from the scandal through accusatory, defensive, and, at times, contradictory statements. SocGen tried to make the case that the scandal was solely a "rogue employee" issue. As SocGen's own audit report conveys, however, the issue goes beyond the actions of a single rogue employee.

Below are press quotes which highlight SocGen's shirking of responsibility, and ultimately, a corporate culture deficient of integrity and trustworthy communication:

BBC News reports on SocGen's first public statement about the scandal issued on January 24, 2008. According to BBC, SocGen's statement refers to "an exceptional fraud… and claims the trader acted alone."[11] On January 25, 2008, *The New York Times* quotes a letter written by SocGen's then chairman, Daniel Bouton, to clients: "Société Générale has been *a victim* of a serious internal fraud committed by an imprudent employee." He further writes that "control procedures have been revised and reinforced to avoid any recurrence of further, similar risk."[12] *The New York Times* further notes that "Société Générale officials said that they did not know (Kerviel's) motives, (and) questioned his sanity….(the SocGen officials) say "*they had no indication* that the trader had taken massive fraudulent directional positions in 2007 and 2008 far beyond his limited authority."[10]

A *Wall Street Journal* article published on January 25th notes that "bank executives were *at a loss* to describe (Kerviel's) motivations. Société Générale executives said that the early investigation indicated that the trader did not earn a dime on his actions."[13]

In the article, the bank's co-chief executive is quoted saying that (Kerviel) "was mentally weak"; yet the article also reads that bank executives say Kerviel "skillfully circumvented" the banks controls, "some of the most complex in banking".[11]As to SocGen's crisis response, Chairman Bouton is quoted saying "had we not acted swiftly, the loss could have been 10 times worse." He is also quoted saying that "Kerviel began conducting fraudulent trades sometime in

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[11] "Rogue Trader: Timeline of Events," *BBC News*, January 28, 2008

[12] "French Bank Says Rogue Trader Lost $7 Billion," *The New York Times*, January 25 2008

[13] "French Bank Rocked by Rogue Trader," *The Wall Street Journal*, January 25, 2008

2007."[11]BBC News continues to report on the scandal on January 25th writing "Chairman Bouton said the fraud was a "one-off" and *denied it was a trading or risk-management failure*."[14] Let's take a moment to digest these statements and what they reveal about SocGen. Within *just two days* of SocGen's public revelation of the scandal, the bank chairman and senior executives say:

- The bank is a victim
- The bank had no indication that Kerviel had taken positions that exceeded his authority
- The scandal is a one-off
- Kerviel acted alone
- The scandal is not the result of a failure in risk-management
- Control procedures have been revised and reinforced to avoid recurrent similar risks
- We don't understand Kerviel's motivation (and it could not be money because he *did not make a dime* on his actions)
- Kerviel was mentally weak and of questionable sanity, yet was sufficiently skilled to circumvent the bank's internal controls and computer systems (some of the most complex in banking).

These hasty [senior bank executives first learned of the scandal just six days prior to announcing it publically], and often illogical statements help us appreciate why SocGen's trustworthiness with stakeholders decreased. How could a bank of such size and complexity credibly say that it had overhauled its control procedures in such a miniscule period of time? How could the bank declare that the scandal was not a failure of risk-management, while also acknowledging that it

[14] "Rogue Trader Scandal Broadens Out," *BBC News*, January 25 , 2008

tightened its risk controls? (If risk-management is not the problem, why is it then part of the solution?) How could the bank be certain that Kerviel acted alone?

SocGen's audit report – initially produced in a preliminary version in February and then in final version in May[15] – contradicts many of the bank's initial statements. The audit report determined that there were significant risk-management failures, the bank received many indications (in the form of compliance alerts) that Kerviel was engaging in unauthorized and suspicious activity, that improvements in risk-management controls were needed [but were not yet made], and that Kerviel enlisted the assistance of colleagues in the middle office to help conceal his activities.

SocGen's serial denial of responsibility persists, even after the audit report finds significant fault with the bank. In October 2010 the French court system found Kerviel guilty of breach of trust, forgery and unauthorized use of computers; sentenced him to three years in prison; and ordered him to pay SocGen restitution. Of the restitution payment, a SocGen spokeswoman says "we are satisfied because it recognizes that *the entirety of the bank's losses are attributed to Jerome Kerviel's actions*."[16]These bank statements suggest that the bank's priorities were protecting its c-suite and its market position, and that concern for other stakeholders was secondary.

A Culture of Complicity

There were many additional indicators, aside from the bank ignoring compliance reports, that highlight sufficiently poor ***Values and Competences*** that they allowed the scandal to

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[15] "Report Pinpoints Faults at Société Générale," *The New York Times*, May 23, 2008

[16] "Rogue Trader at Société Générale Gets 3 Years," *The New York Times*, June 8, 2013

transpire. *Risk Magazine* provides a tidy summary of these indicators: "The huge brokerage commissions arising from (Kerviel's) trading positions were one potential indicator. Another was the scale of profits Kerviel had already revealed to his managers: €7 million for 2006 and €43 million for 2007… there was no market explanation for Kerviel's six-fold explosion of profits, which should have sent alarm bells ringing. Kerviel's 2007 gains were more than a quarter of the profits of the eight traders on the Delta One desk that year, which also failed to raise management suspicions."[17] Kerviel also managed to evade the "mandatory time off" policy, an industry standard, which requires financial services industry employees to take two consecutive weeks of vacation. This policy is "one of the most effective risk-management tools in trading"[17] because it is difficult to conceal ones activities for ten consecutive business days.

Kerviel was interviewed by *The New Yorker* for an in depth article which revealed a good deal about the culture of the bank. Kerviel started in a middle office position at SocGen in 2005 before moving to the Delta One desk. Kerviel explained the pressure he felt to prove himself to colleagues and superiors. He realized that he was not as well regarded as others on the desk because he had started in a middle office position and because his academic credentials were not on par with that of others SocGen traders.[18]

Kerviel admits that he observed that it was possible to engage in unauthorized intra-day trades. His first significant gain due to unauthorized activity occurred in July 2005 when he short sold shares of Allianz, making €500,000. He covered up those gains initially but then disclosed them to his supervisors.[18]

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[17] "Kerviel Case Study Reveals Rogue-Trading Indicators," *Risk Magazine,* June 25, 2010

[18] "The Omen," *The New Yorker*, October 20, 2008

Kerviel describes receiving a mild admonishment from his supervisor for the Allianz trade. His then supervisor, Alain Declerck testified in court that Kerviel "raised concern after failing to declare bets that led to the gain on Allianz.[19] Additional sources quote Declerck as saying that "apart from yelling there wasn't any punishment available between firing and doing nothing." [20]

High Risk Reward Culture

In *The New Yorker* article, Kerviel and other interviewees speak of Kerviel's growing gains due to unauthorized trades. "It made money for the bank. It proved my models were good, and it repaid the trust the bank placed in me. Almost every day, I declared mind-boggling results. Everyone was super-happy, because we were blowing right through the ceiling," according to Kerviel. "Colleagues started calling [him] a 'cash machine' and a 'star.'"[18]

Kerviel "assumed that his activities had the tacit approval of bank officials. After all, there had been, by his count, a total of ninety-three official notices generated by his trading… I thought it was incredible that no one came to talk to me about this," he said. "My positions made money, so, in a way, I told myself that . . . it legitimatized what I was doing."[18]

According to the assessment of Kerviel's court-appointed psychologist "the combination of the financial and personal success derived from his hidden trading, plus the lax supervision by his superiors, which he took as legitimatization, might have had a strong effect in the reinforcement of these patterns."[18] In other words, the bank's culture rewarded the *outcomes* of

[19] "SocGen Threatened to Fire Kerviel in 2005, Court Document Says," Bloomberg, March 25, 2008
[20] "Kerviel Says 'Nobody Was Worried' About Fake Orders," Bloomberg, June 16, 2010

Kerviel’s behavior while giving no signals that Kerveil’s behaviors themselves were outside of the bank’s cultural norms.

Reality Check?

While discussing reward and the ***Systems*** construct, it makes sense to dig in further on some of the above comments by SocGen’s executives who were reportedly mystified at Kerviel’s actions and dumbfounded as to his motivations. Kerviel’s base salary was $145,000 per year.[21] Kerviel’s bonus for 2007, based on his outsized earnings for the bank, was approximately $400,000.[22] Kerviel’s risky bets increased his annual compensation by almost 270%. If SocGen’s executives don’t understand that the bank’s compensation structure is one that may motivate traders to push the boundaries, they are either out of touch with reality or simply disingenuous. Certainly the suggestion that Kerivel did not make a dime on his trades is misleading as his bonus was tied to the money he made for the bank.

Trust Repair

SocGen’s efforts to repair these trust violations are outlined below.

Firings and Resignations

To address issues in the ***Selection and Management of People*** construct, Kerviel, Eric Cordelle, Kerviel’s immediate supervisor on the Delta One desk; Martin Rouyere, head of the Delta One desk; and two middle office employees who were complicit in Kerviel’s activities

[21] “French Bank Rocked by Rogue Trader,” The Wall Street Journal, January 28, 2008

[22] “The Omen,” *The New Yorker*, October 20, 2008

were all fired from the bank.[23] Distancing itself from these employees is an appropriate and necessary measure for the bank to build credibility with stakeholders as it demonstrates the bank's acknowledgement that the employees were lacking in competence and ethics.

Daniel Bouton served as Chief Executive and Chairman of SocGen from 1997 to 2008. He is credited with building SocGen from a marginally profitable bank to a global financial leader by introducing SocGen to structured financial products and complex derivatives trading. In the days following the scandal, Bouton offered his resignation, but the board declined it. However, in April 2008 Bouton did resign as chief executive, but remained with SocGen as chairman.[24, 25] While Bouton relinquished control of day-to-day operations of the bank, as chairman, he sits over the chief executive and maintains authoritative decision making powers.

SocGen would have been better served to sever ties completely with Bouton. As chief executive and chairman, Bouton was the "culture setter" leading up to and during the time of the scandal. The culture during Bouton's tenure was one under which the pursuit of profits above all seemed to permeate the bank; at the minimum a lax compliance environment dominated under Bouton's tenure and that environment is cited as an enabling factor in the scandal.

Bouton's public comments on the scandal make it apparent that he will do little to improve either the bank's culture or public opinion of the bank. Sources note that French public opinion was anti-Bouton and anti-SocGen. "Many in the French political community – including President Nicholas Sarkozy – hold Bouton responsible for the trading loss and have urged him to quit."[18] "In a poll commissioned by *Le Figaro* a week after the bank's announcement of the loss,

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[23] "Report Pinpoints Faults at Société Générale," The New York Times, May 23, 2008

[24] "SocGen CEO to Quit After Scandal," The Wall Street Journal, April 18, 2010

[25] "The Omen," *The New Yorker*, October 20, 2008

just thirteen percent of the respondents blamed Kerviel for the scandal; fifty percent blamed Société Générale."[19] To regain credibility and shift the bank's culture to one that engenders trust, SocGen needs a new culture setter.

Audit Report

To improve the ***Systems*** and ***Structure*** constructs, the bank conducted an internal audit using an outside party. Using a third-party to investigate shows more credibility than doing one's own internal investigation, however, the bank could have been more transparent in sharing the results of the report. While the media references the report, I was unable to find a copy either on the bank's website or elsewhere after significant searching.

From discussing with attorneys in both the white collar and bank regulatory practices of Latham & Watkins (my employer and the third largest law firm in the world) I understand that, in general, internal audit reports are not made public. Given the standard course, publicizing and making the report easily accessible could have improved stakeholders' perception of SocGen as a trustworthy organization. By comparison, Barclays' Salz Review is very easily accessible via the company's website, in full 244 page format (screenshots from both banks' websites are included in Appendix A).

Though I appreciate that the SocGen scandal is several years old and that the Barclays' LIBOR manipulation scandal is more recent, Barclays features the Salz Review prominently on its website in the citizenship area and acknowledges, both through the report and its website, that culture was a significant factor in the scandal, and culture correction will be a significant factor in regaining stakeholder trust.

SocGen, by comparison, buries information on the scandal in an area of the website called "Solutions for Journalists", from which there is a sub-section "J. Kerviel Appeals Court Hearing". SocGen's victim position resonates in the language on this page. A quote from the statement on the page reads: "The ruling of the Paris Court of Appeals confirms the guilt of Jérôme Kerviel in the massive fraud of which the bank and its employees were victims, in line with the findings of all legal proceedings conducted up to this point, and *clearly establishes that his fraudulent activities were committed without the bank's knowledge*."

I remain fascinated at SocGen's persistent use of the word "victim" and ongoing assertion that Kerviel's activities were committed without the bank's knowledge, despite a preponderance of evidence that the bank either knew or should have known. SocGen's partial culpability was sufficiently evident to Banque de France, the country's central bank, that it fined SocGen €4 million for "serious failures in internal controls" which allowed the scandal to occur.[26]

Risk-Management Improvements

SocGen said in May 2008 that it would spend up to $150 million to improve risk management controls.[27] SocGen currently has on its website an update on its "action plans and additional controls"[28] in response to the scandal. Among the steps that the bank has successfully completed per their report, they have:

- Invested €180 million

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[26] "Rogue SocGen Trader Sues Bank Over $7B Loss," *Law360*, July 11, 2013

[27] "Société Générale Doubly Damned by Kerviel Scandal Reports," *Forbes*, May 23, 2008

[28] SocGen action plan and additional controls, SocGen corporate website - www.societegenerale.com/sites/default/files/documents/Control_messages_updated_final_2905.pdf

- Involved more than 200 employees in the “Fighting Back” program. Some of the activities of the Fighting Back program include:
    - Creating a Product Control Group to oversee accounting results
    - Created a SAFE (Security and Anti-Fraud Expertise) department to oversee financial operations security
    - Strengthened IT security across 180 sensitive applications
    - Trained 8,200 employees on fraud awareness
    - Redefined the front and back office framework, mandates and mission

SocGen notes that “all commitments were successfully fulfilled according to the agreed timetable, budget and action. In addition, quarterly reviews were undertaken and included in the process reports from PwC to the Audit Committee until July 2009.” [22]

In attempting to assess SocGen’s efforts to repair trust through executing suggested improvements by PwC, a few questions occurred to me. First, what level of investment does it take to remediate a situation like this? Is €180 million sufficient? From discussing with partners at Latham & Watkins who have formerly held positions in the United States Attorney’s Office where they have prosecuted some of the high profile corporate scandals which we have discussed this semester, they have explained that companies often “bake in” to these numbers planned technology upgrades. This leaves me further contemplating what the €180 million investment constitutes. Do existing costs such as the salaries of compliance staff fall into this bucket? Unfortunately, the publically available data on SocGen’s improvements does not provide enough information for stakeholders to be able to draw conclusions.

Second, 8,200 employees is less than seven percent of SocGen's total employee population. Is training that number of employees sufficient to truly create a heightened awareness within the bank about fraud? Intuitively, I think not. Culture needs to be *universally* understood by *all employees* such that acting against it would feel improper. To truly achieve a culture which discourages fraud, SocGen could have included a significantly broader population into its fraud awareness training. More importantly, unless what was learned in these training sessions is reinforced by leaders and internal organization systems, little will actually change. SocGen provides no information on this.

Culture

Components of SocGen's "Fighting Back" campaign may address the bank's cultural issues. Employee awareness training and the creation of taskforces focused on risk management will convey to employees that the bank is taking a more serious stance on risk management. Of course, prior to the scandal, the bank's risk-management procedures and technologies were seen as some of the most respected in the industry, garnering it nods from industry publications. The true sign of whether SocGen's cultural problems have been corrected will be if SocGen's leadership walks the walk, empowers its compliance team to perform their function, gives proper attention to compliance alerts and takes punitive actions against employees who violate bank policies.

Conclusion

A common thread that has resonated throughout the majority of case studies we've examined this semester is that trust violations are rarely the actions of just one individual.

Sometimes it's a small and often senior group of individuals at a company who set the tone, values and targets. In some instances, these individuals are directly responsible for a trust violation. In other instances, executive management may not be directly responsible for the specific act or actions that violate stakeholder trust. However, more often than not, corporate culture, which is set at the highest levels of a company, is the root of a trust violation.

With respect to the SocGen scenario, it is obvious that Kerviel is culpable for numerous actions that were unethical, illegal and against SocGen's written policies. He has been prosecuted and found guilty in the French courts. But did he "go rogue"?

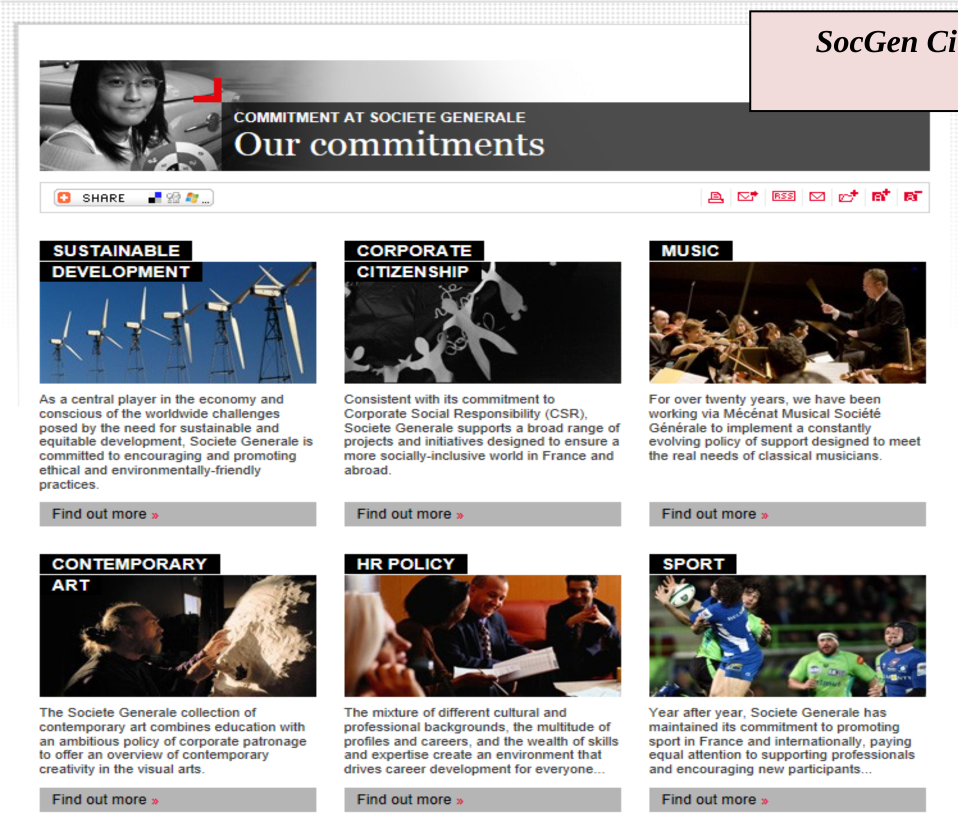
One thing in which I feel confident is that Kerviel did not violate SocGen's true corporate culture. Culture, as we learned this semester, is a set of *shared values*. Kerviel, like many of us, wanted to excel in his work environment and looked to the bank's ***Culture*** and ***Systems*** to evaluate what would constitute positive performance. Since Kerviel's technically unauthorized actions did not engender reaction, as one would expect when violating a rule, Kerviel thought that he had the tacit approval to continue. What's more, the bank's compensation structure rewarded the outcome of his actions. With the increase in profits that Kerviel made for the bank, the bank increased Kerviel's bonuses. Kerviel's ability to generate returns even increased his social status within the bank from outcast to hero - all things that suggest that one is operating within the culture of an organization.

Similar to other rogue trading scandals, it is not just the trader who has committed a wrong, but the bank as well. "Rogue traders" of recent days, Kerviel and the London Whale included, were well-regarded in their organizations and well-compensated for their performance, up to the point when the trader made a significant poor performing bet; to which the bank could no longer turn a blind eye.

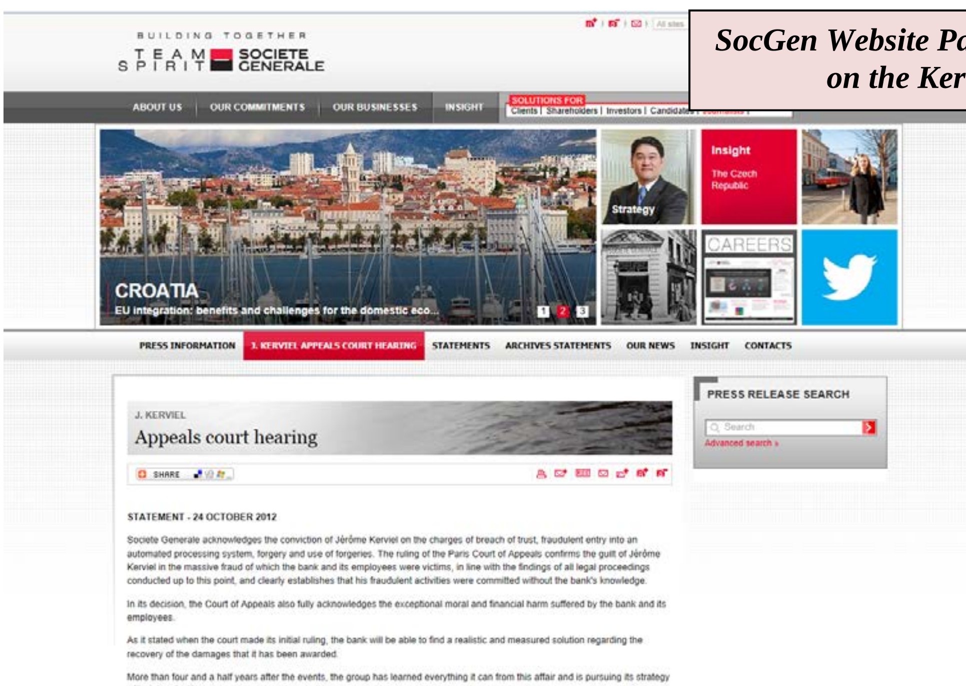
In conclusion I would say that when good banks, like the reputable Société Générale go bad – lose sight of their stakeholders, sacrifice their integrity, and violate their own rules – bad traders, like the money-making yet morally questionable Kerviel, are all good from the banks' unspoken perspective. Until, of course, they're not.

APPENDIX A

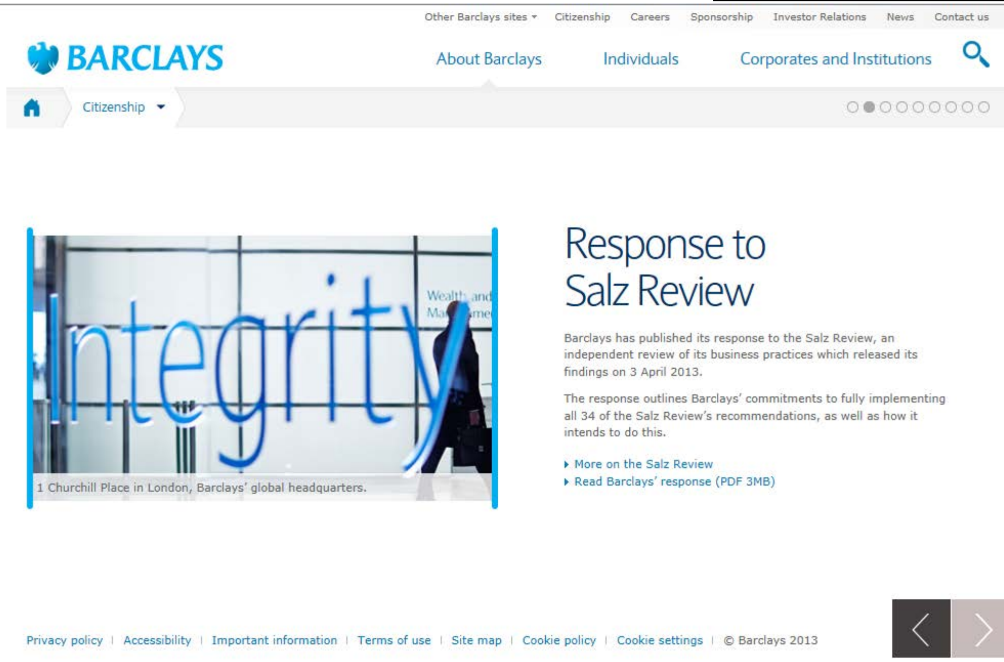
SocGen Citizenship Website Page



SocGen Website Page with Information on the Kerviel Scandal



Barclays Citizenship Website Page



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