

HORIZON

from
SKADI

Nicolas Corry 

Damian Taylor 

April 2024 Edition

In this month's HORIZON:

- **Rogue (Delta) One** - Are control staff missing a trick when it comes to seemingly simple businesses?
- **Revenue before controls** - Is this really the bounty from the AI revolution?

In a departure from our normal Horizon format, this month's written piece is presented as a summary document, with the details and control function take-aways available in far greater depth in our podcast. Links to the various platforms can be found by following the link here...

<https://podcasters.spotify.com/pod/show/skadi/>

Rogue (Delta) One

16 years on from the Jerome Kerviel Rogue Trading event, which nearly destroyed Societe Generale, and forced the resignation of the bank's former Chief, it seems that unauthorised trading activity has occurred again on the bank's **Delta One** desk. This time in Asia.

The [unauthorised activity](#) alleged to have happened is specific to products relating to India and the Indian Stock Market. From what we can read, a member of staff on the Asia Delta One desk booked trades in index options which were not captured by the firm's [risk systems](#). Timing appears to be an issue. This may relate to cut-offs between trades being booked in the system and when risk reports are run. It is possible that this was further exacerbated by the different time zones between where trades were transacted (India), where traders were located (Hong Kong) where the Bank is head quartered (Europe).

Revenue before controls

April saw our esteemed MD Nicolas Corry quoted in a BBC [article](#) regarding fake articles on Facebook, and the seemingly "meh..." response from Meta when these are reported. At the heart of the excellent investigation by [Jane Wakefield](#) is a type of online fraud called "cloaking" whereby a legitimate link that is attached to the original advert is set to redirect to a malicious website once Facebook's algorithms have "okayed" the advert.

This story was released on the day that Meta revealed its earnings, and the investor call was, unsurprisingly, full of details on how Meta plans to integrate AI tech into its recommendation engine. As in the case of a lot of the discussion around AI, there seems to be a lot of emphasis on how it will improve revenues, profitability (and hence share price), and far less on the controls that sit around this and, indeed, how AI could be used to help enhance controls.

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Listen in on this month's podcast to hear Nic and Damian's thoughts on both of the topics above.

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SKADI PRODUCT MAP

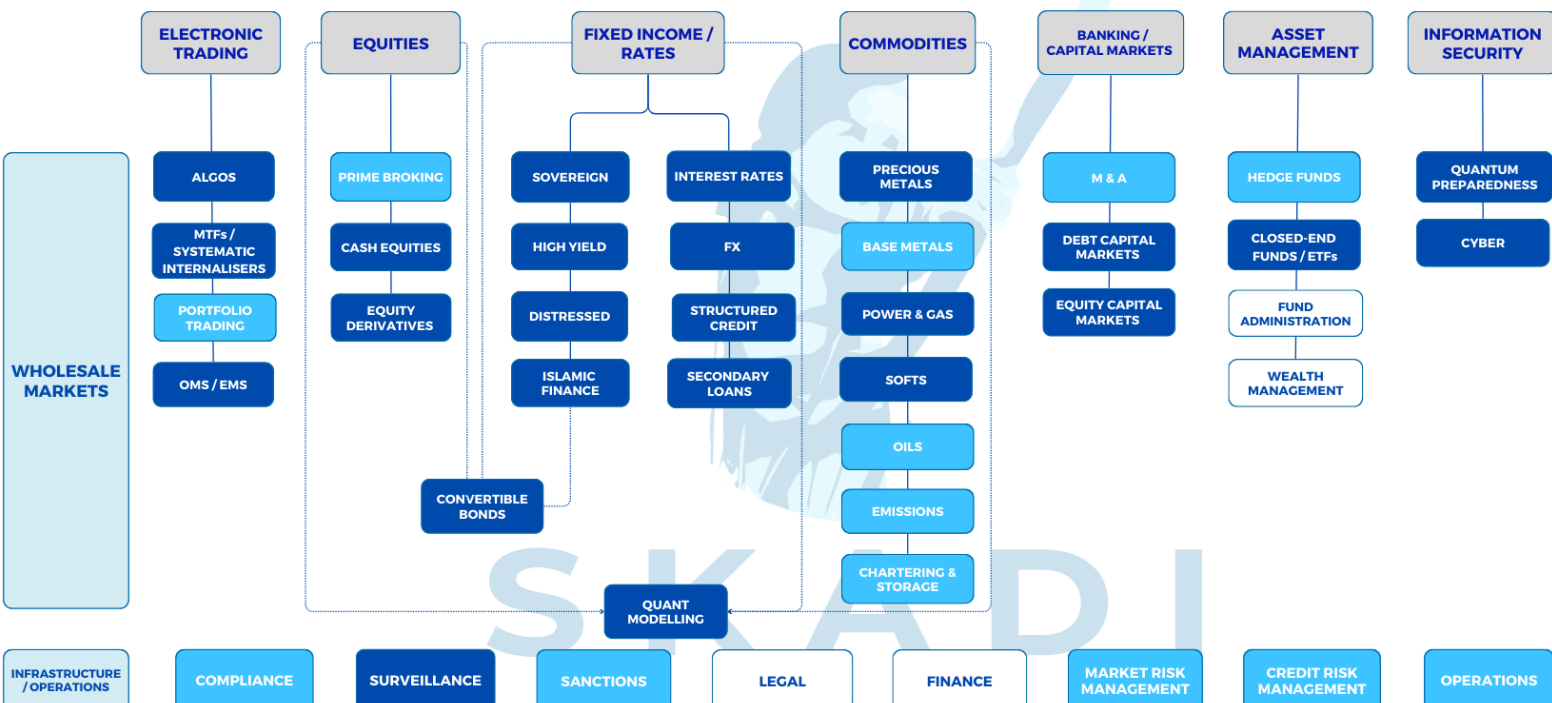


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