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Convicted UBS trader Kweku Adoboli faces deportation – here's why it's a huge mistake

September 3, 2018 5.14pm BST

Kweku Adoboli was convicted in 2011. Lewis Whyld/PA Archive/PA Images

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Former UBS trader, Kweku Adoboli was convicted in 2012 for his role in a US$2.3 billion bank fraud. He was released from prison in June 2015, having served four years of a seven-year sentence, but now faces deportation to his native Ghana, despite not living there since the age of four.

I believe this is a huge mistake. If the deportation goes ahead, a great opportunity to learn from Adoboli's mistakes will have been denied to all those involved in delivering resilient and socially useful financial services.

Adoboli faces deportation because of a law that requires foreign nationals with convictions of more than four years to be deported to their country of birth. And, although he was at fault, he was also part of a culture of risk taking that led him astray.

When we entrust our money to banks we might be forgiven for thinking it will be safe. We ought to be surprised that a vast global institution can be organised in such a way that, according to the law, only one individual should bear personal responsibility and imprisonment for a loss of US$2.3 billion dollars.

Adoboli worked for UBS in London. Philip Toscano/PA Archive/PA Images

Even with the most noble of intentions, our fallibility as humans is so well known that arguably no one individual should be in a position where they are solely responsible for that amount of other people's money. Some might argue that such an event is rare. Yet this is not the case:

1. Nick Leeson lost US$1.4 billion in 1995 and brought down Barings Bank.
2. LTCM, a hedge fund run by finance professors, lost US$4.4 billion in 1998.
3. John Rusnak lost US$700m at AIB in 2002.
4. Jerome Kerviel lost US$7.2 billion at Société Générale in 2008.
5. Bruno Iksil, the JP Morgan trader known as the London Whale, lost US$6.2 billion in 2012

And let's not forget that the global financial crisis that ran from 2007-09 featured trillions of dollars in taxpayer funded bailouts of financial institutions around the world due to reckless risk taking by the majority of large financial institutions, encouraged by policymakers.

What many find surprising is that so few individuals go to jail as a result of bank losses. The UBS CEO, Oswald Grübel, resigned in the wake of the Adoboli scandal, without a bonus. But he was paid US$2.07m and allowed to retain his share options [pdf]. This is the same person that was profiled by The Economist newspaper in 2009 under the headline Ossie's Casino. Meanwhile, UBS was fined almost US$47m for failing to properly regulate Adoboli, but in fact costs such as these are borne by the pension funds of ordinary people that invest in large firms like UBS by default.

Adoboli's story

I first met Adoboli in October 2016 at a discussion about ethics and risk management hosted by the CFA UK, which represents investment professionals. It was clear that his story made a considerable impression on the audience of fund managers and analysts present, so I invited him to tell his story to students at the University of Stirling. Some clips of our conversation are included here.

The first thing you notice when you meet Adoboli for the first time is his desire to please those around him. The second thing you realise is how articulate and energetic he is.

He told us how he became a trader in January 2006. He joined the Exchange Traded Fund (ETF) desk in September 2006, then barely one year after, as queues formed outside Northern Rock bank in the UK, his boss resigned, leaving Adoboli and another colleague in charge of a US$50 billion portfolio. At this point, they had barely 30 months trading experience between them. He had no formal finance qualifications and had only attended a two-week basic course on bond and equity valuation. All other knowledge had been gleaned "by osmosis" from less than 20 months experience as a junior trader.

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In the subsequent weeks and months of the deepening financial crisis he describes the fear experienced by him and his colleague as markets became more unpredictable. Their minimal knowledge was insufficient to prevent repeated daily losses of US$5m or more in what was supposed to be a hedged (without risk) portfolio. Whenever they asked senior managers for assistance, he says that they were told, "you are the experts so you need to figure it out". At that stage in their career, they lacked confidence to evaluate what was possible or reasonable and to demand extra resources for what, in hindsight, was clearly an impossible situation for two junior traders to be in.

Eventually, an even less experienced trader was added to their team, but they had barely brought him up to their own level, when following losses from the financial crisis and a US$60 billion bailout from the Swiss taxpayer, UBS decided to fire their junior to cut costs. The resulting fear for their own jobs made them less inclined than ever to ask senior managers for help, lest their own competence be questioned. Instead Adoboli describes working 20-hour days six days a week for two years between 2007 and 2009.

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Adoboli recounts how he was urged to take more risks and how in meetings, managers kept exhorting traders to push the boundaries harder to increase profits. As one trader asked: "How much harder can they go if they had made US$80m profit by April 2011 on four hours sleep per night?" The alleged response was: "You will only know if you have gone too far when you get a slap on the back of the wrist." By June 2011 Adoboli's team, now comprising four traders, had made US$132m profit in six months only to be told that their targets for the second half of the year would be US$198m.

If Adoboli's figures are correct, in just six months his team of four traders made nearly 3% of the total profit earned by UBS in the whole of 2010 at a time when UBS employed 65,000 people. Why was no one asking how so much profit could be earned by just four people and how much risk was at stake? Why were they not given more resources to secure the profit without working 20 hours a day?

Lessons learned

If he could go back in time, Adoboli says he would have been more frank with his senior managers. Demanding their help and leadership. On ethics training, he recalled that the compliance team relied on computer-based training culminating in a tick box online test that everyone rushed to complete on at 5.00pm before going home.

A much better approach, he believes, is for employees to seek ethics training from independent professional accrediting institutions such as the CFA Institute. If ethical guidance is institutionally led, it is too easy for a senior manager to push you away from an institutionally-derived ethics code. But if you have earned accreditation by hard work and independent study accredited by an outside professional body, he believes you can hold this up as a shield against internal pressures to deviate.

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Listen Clip 3

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During our five hours together it became clear to me that no matter whether you choose to believe all of what Adoboli says, or only a small portion of it, there is a lot to learn from his experience.

Have you ever faced pressures at work that makes you feel a bit uncomfortable or seem to push the ethical boundaries? If you are inclined to avoid challenging authority for fear of being labelled "negative" or a "poor team player" and simply seek to deliver impossible tasks against the odds, let Adoboli's story be a compelling example of what can go wrong.

But this should be a lesson for regulators too. Yet, to my astonishment, Adoboli told me that, despite the fines levied on UBS as a result of their failure to adequately supervise him, to this day, he has never once been interviewed by any regulator seeking to learn how to avoid his experience being repeated.

On the face of it, deporting a rogue trader with a criminal conviction for losing US$2.3 billion of his employer's money might seem a politically savvy decision for a UK Home Office under pressure to limit net migration to the UK. But if this deportation goes ahead, Adoboli will be a huge loss to the UK.

I hope the Home Office will reverse its decision and allow future generations of students and business leaders to learn from Kweku Adoboli's mistakes. Listening to him, it is easy to imagine how, with the lack of the right structures in place and given the wrong incentives, you can be led down such a path to disaster.

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