FX (http://www.underwoodfx.com/)

# BLOG PAGE TITLE

(http://www.underwoodfx.com/wp-content/uploads/2016/06/fraud-logo.jpg)

# IMPLEMENTING THE CODE: QUANTIFYING HUMAN RISKS FACTORS

by: Keith Underwood (http://www.underwoodfx.com/author/kunderwood/)   ○   Jun 14, 2016   ○   Uncategorized (http://www.underwoodfx.com/category/uncategorized/)   ○   ○ 0 (http://www.underwoodfx.com/implementing-the-code-quantifying-human-risks-factors/#respond)

- Independent third-party implementation reduces conflicted interests that exist within organizations.
- Modeling human risks similarly to transactional risk.
- Opportunity to enhance the operating code at the DNA level.

In my experience, if large institutions are allowed to embrace and enforce the code themselves, they run the risk of what I call the adoption without leadership approach.  In this scenario, sales, traders, relationship managers, credit, risk management, and middle and back office personnel all have vested interests to keep the status quo and place profits before customers interests.  Without leadership change and vigorous audit and compliance measures enacted, the tendencies to lean toward BAU (business as usual) will always be present.

In order to augment the code and its principles, we are recommending to clients that they contract with independent advisors (Underwood FX (http://www.underwoodfx.com)) that have the requisite FX product

knowledge and operational skills to help design, steward, and implement the initiative.  To that end, Underwood FX has partnered with Dr. Alexander Stein who is founder of Dolus Advisors (http://dolusadvisors.com/Home_Page.html), a consultancy that leverages expertise in the psychodynamics of fraud and white-collar crime to help companies proactively manage exposure to business, security, and malfeasance risks from insiders.  He asserts that "fraud mitigation, let alone prevention, can never be achieved by legislation or regulation alone." It has been his experience that "merely rolling out new regulatory, compliance, and conduct codes, no matter how rigorously architected, invariably results in risk amplification, not reduction, unless numerous human factor risks are also considered and addressed."

Among many enhancements Dr. Stein recommends, one is to "model human risk similarly to transactional risk: sensibly consider probabilities not fantasies."  Some readily predictable scenarios, he specifies, involve "peoples' general irrationality combined with the astronomical variety of individual unpredictability." This is particularly important because, as Dr. Stein explains, so-called 'red flags' can be spotted sooner and with greater degrees of accuracy using more sophisticated predictive behavioral analytics techniques.

"These are critical baseline points for financial institutions, end users, brokers, and all other relevant stakeholders to on-board", Dr. Stein argues, because "preparing a new Code is just that: an opportunity to truly enhance the operating code at the DNA level, not just re-package a best practices manual."

Tags:  BIS (http://www.underwoodfx.com/tag/bis/), code (http://www.underwoodfx.com/tag/code/), Currency (http://www.underwoodfx.com/tag/currency/), DNA (http://www.underwoodfx.com/tag/dna/), fraud (http://www.underwoodfx.com/tag/fraud/), FX (http://www.underwoodfx.com/tag/fx/)

**Share This.**

## ABOUT AUTHOR

### Keith Underwood (http://www.underwoodfx.com/author/kunderwood/)

← PREVIOUS

First Phase of BIS Global FX Code of Conduct Released (http://www.underwoodfx.com/first-phase-of-bis-global-fx-code-of-conduct-released/)

## LEAVE A REPLY

Your email address will not be published. Required fields are marked **\***

Comment

Name **\***

Email **\***

**POST COMMENT**

Website

## LATEST POSTS

(http://www.underwoodfx.com/implementing-the-code-quantifying-human-risks-factors/) Impleme
the Code
Quantify
Risks
Factors
(http://w
/implem
the-code
quantify
human-
risks-
factors/)
○ Jun 14
2016

(http://www.underwoodfx.com/first-phase-of-bis-global-fx-code-of-conduct-released/) First Phase c
BIS Global F:
Code of
Conduct
Released
(http://www

/first-phase-of-bis-global-fx-code-of-conduct-released/)
- ○ Jun 14, 2016

(http://www.underwoodfx.com/3-currency-intervention-lessons-never-learned/)

3 Currency Intervention Lessons Never Learned (http://www.under /3-currency-intervention-lessons-never-learned/)
- ○ May 12, 2016

(http://www.underwoodfx.com/us-april-payrolls-a-tepid-160000-buy-yen-and-volatility/)

US April Payrolls a Tepid +160,000 – Buy YEN and Volatility (http://www /us-april-payrolls-a-tepid-160000-buy-yen-and-volatil
- ○ May 6, 2016

(http://www.underwoodfx.com/negative-interest-rates-a-disincentive-to-risk/)

Negative Interest Rates: A Disincentive to Risk (http://www.underwe /negative-interest-rates-a-disincentive-to-risk/)
- ○ Apr 19, 2016

## CATEGORIES

Economic Releases (http://www.underwoodfx.com/category/economic-releases/)

Uncategorized (http://www.underwoodfx.com/category/uncategorized/)

## TAGS

AUD (http://www.underwoodfx.com/tag/aud/)    Bill McGowan (http://www.underwoodfx.com/tag/bill-mcgowan/)

BIS (http://www.underwoodfx.com/tag/bis/)    Books (http://www.underwoodfx.com/tag/books/)

Bullard (http://www.underwoodfx.com/tag/bullard/)

Bundesbank (http://www.underwoodfx.com/tag/bundesbank/)    CAD (http://www.underwoodfx.com/tag/cad/)

Carl Otto Pöhl (http://www.underwoodfx.com/tag/carl-otto-pohl/)

central bank policy (http://www.underwoodfx.com/tag/central-bank-policy/)

CHF (http://www.underwoodfx.com/tag/chf/)    China (http://www.underwoodfx.com/tag/china/)

CPI (http://www.underwoodfx.com/tag/cpi/)    currencies (http://www.underwoodfx.com/tag/currencies/)

Currency (http://www.underwoodfx.com/tag/currency/)    dollar (http://www.underwoodfx.com/tag/dollar/)

ECB (http://www.underwoodfx.com/tag/ecb/)    Economy (http://www.underwoodfx.com/tag/economy/)

Employment (http://www.underwoodfx.com/tag/employment/)

EUR/USD (http://www.underwoodfx.com/tag/eurusd/)    Euro (http://www.underwoodfx.com/tag/euro/)

Eurozone (http://www.underwoodfx.com/tag/eurozone/)    FED (http://www.underwoodfx.com/tag/fed/)

FOMC (http://www.underwoodfx.com/tag/fomc/)

foreign exchange (http://www.underwoodfx.com/tag/foreign-exchange/)

Forex (http://www.underwoodfx.com/tag/forex/)    FX (http://www.underwoodfx.com/tag/fx/)

German (http://www.underwoodfx.com/tag/german/)    Greece (http://www.underwoodfx.com/tag/greece/)

inflation (http://www.underwoodfx.com/tag/inflation/)

interest rates (http://www.underwoodfx.com/tag/interest-rates/)

Mario Draghi (http://www.underwoodfx.com/tag/mario-draghi/)

negative interest rates (http://www.underwoodfx.com/tag/negative-interest-rates/)

NFP (http://www.underwoodfx.com/tag/nfp/)

Nonfarm payrolls (http://www.underwoodfx.com/tag/nonfarm-payrolls/)

oil (http://www.underwoodfx.com/tag/oil/)    PMI (http://www.underwoodfx.com/tag/pmi/)

PPI (http://www.underwoodfx.com/tag/ppi/)    rates (http://www.underwoodfx.com/tag/rates/)

Russia (http://www.underwoodfx.com/tag/russia/)    UK (http://www.underwoodfx.com/tag/uk/)

United States (http://www.underwoodfx.com/tag/united-states/)    US (http://www.underwoodfx.com/tag/us/)

USD/JPY (http://www.underwoodfx.com/tag/usdjpy/)    US Dollar (http://www.underwoodfx.com/tag/us-dollar/)

yen (http://www.underwoodfx.com/tag/yen/)

## NEWSLETTER

**Email address:**

**First Name:**

**Last Name:**

SIGN UP

315 Madison Avenue, 24th Fl.

New York, NY 10017

+1 (917) 860-0208

Keith@UnderwoodFX.com

**in**

(https://www.linkedin.com

/profile (https://twitter.com

/view?id=83178209) (underwoodfx)

## LATEST TWEETS

"Disease is the biggest money maker in our economy." - John H. Tobe

09:09 PM June 06, 2016 (http://twitter.com/Underwood_FX/statuses/739927093434322945)

"4 Things That Worry Me" Are things really okay?? #forex #currency https://t.co/xQYDm4VuLz

03:34 PM June 06, 2016 (http://twitter.com/Underwood_FX/statuses/739842788167032832)

"Economic prosperity and quality education for our children are inexorably linked." - Jon Huntsman, Jr.

12:44 PM June 06, 2016 (http://twitter.com/Underwood_FX/statuses/739800006211731456)

## NEWSLETTER

**Email address:**

**First Name:**

**Last Name:**

SIGN UP

Home (http://www.underwoodfx.com/

About (http://www.underwoodfx.com/about/

Services (http://www.underwoodfx.com/services/

Clients (http://www.underwoodfx.com/clients/)       Media

Blog (http://acurrencyaffair.com/

Contact (http://www.underwoodfx.com/contact/