



The War within Volcker

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The Volcker Rule has sparked a war in the financial service industry. It is NOT a war between banks' lobbyists and the regulators and/or the politicians, but a war that the industry as a whole is determined to win over rogue traders. To win this war, we suggest studying Sun Tzu's "The Art of War". Here are our 10 inspirations:

1. All warfare is based on deception.

How rule enforcers discern between permitted versus prohibited activities under the Volcker Rule?

2. Why destroy when you can win by stealth and cunning?

Rogue traders are well-versed with the Art of War?!

3. Let your plans be dark and impenetrable as night, and when you move, fall like a thunderbolt.

Doesn't that look a lot like rogue traders violating the rule and rigging the market for profits at lightning speed?

4. He who exercises no forethought but makes light of his opponents is sure to be captured by them.

The best (risk and compliance professionals) will still fail if they aren't equipped properly. To detect inappropriate trade behaviors, you need the foresight to stop and prevent the accumulation of huge losses. Investigating after you loss isn't good enough. Active risk prevention is better.

5. For to win one hundred victories in one hundred battles is not the acme of skill. To subdue the enemy without fighting is the acme of skill.

To catch suspicious activities across all trades is not a matter of having a skillful lawyer, a compliance officer, and a doctor. To subdue the hackers, you render them useless with a [spam filter](#).

6. Energy may be likened to the bending of a crossbow; decision, to the releasing of a trigger.

All the well documented governance policies and procedures may articulate how strong your controls are. But in fact, none can help you quarantine suspicious trades and qualify for Volcker rule exemptions in real time. Regulators require you to have a system for timely decisions to stop the violators and prevent threats to financial stability.

7. Invincibility lies in the defense; the possibility of victory in the attack.



No risks are fully mitigated. No end to the regulatory demand of more controls. It's a race to stop the prohibited before the violators stop you.

8. Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat.
A static securities inventory "plan" won't do you any good. At most you can call it "a governance document" to state what is allowed and what isn't. A true demand forecast (RENTD) should take into account the market dynamics and profiles of your clients and instruments. It should also perform scenario planning for the right amount of trades at the right time. It involves comprehensive analysis of stochastic and deterministic factors.
9. All men can see the tactics whereby I conquer, but what none can see is the strategy out of which victory is evolved.
If you are concerned about any consistent formula application potentially be reverse-engineered by rogue traders to bypass the system, you will appreciate the beauty of crowd computing for dynamic upgrades. Crowd collective intelligence will outsmart the hackers.
10. Opportunities multiply as they are seized.
We have solved the Volcker Rule puzzle. Yet, banks still need to seize the opportunity to be engaged and institutionalize the solution in a network. So the system will get smarter with the collective intelligence from as much participants as possible to win the race over rogue traders who may hop around.

Hope you benefited from the above Chinese proverbs and prepare for the Volcker war accordingly. A final word: the deadline for conformance is approaching fast; and a lot still needs to be done before the industry is ready with a preventive system to monitor and enforce the compliance (especially on RENTD). Please join our [Volcker Compliance](#) Group on LinkedIn for in-depth discussions on the practical strategies to implement and enforce the rule.

About Data Boiler Technologies, LLC

Data Boiler is a FinTech pioneer that brings big data to bear on big problems in the financial services industry. We are taking things to a whole new level with [VR Machine](#) for the Volcker Rule compliance. It is a [patent pending](#) utility to spam filtering the prohibited. It helps firms determine the reasonable expected near-term demand (RENTD) and qualify for the appropriate exemptions. To learn more, please visit us at www.databoiler.com.