

Lessons learned before, during and after actual crisis events

September 11 2012

ACP South Texas Chapter



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INTRODUCTIONS



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Firestorm® supports your management and organization before, during, and after a crisis.

Firestorm's expertise is crisis management, critical decision support, crisis communications, crisis public relations, and consequence management.

Firestorm empowers people to manage risk and crises.



DISCLAIMER

Disclaimer: Any work product provided by Firestorm must be read in conjunction with all guidance given by national, regional and local authorities, as well as your company's personal counsel.

Moreover, the information given and comments made in this webinar should not be interpreted as legal advice or legal opinion.



AGENDA

- Business as unusual
 - Preparedness, resources, plans and execution
 - What to do and what to say
- Examples
 - Virginia tech
 - Penn State
 - Aurora
 - Knight Capital Group
- Leadership Lessons Learned
 - Information and actions
 - Crisis management comparison
 - Management takeaways



WHY NOT?

Most organizations, even ones with detailed business continuity and crisis management plans:

- Do not have the people, resources and training to address all the compliance, planning, exercises, and training needs
- Have not dealt with major crises in the last five years
- Cannot provide senior leadership with timely information and analysis



“WHAT SHOULD WE DO NOW?”

“WHAT SHOULD WE SAY?”

Most executives are trained to make decisions based upon information, data, & policy.

In a crisis:

- Information is generally wrong
- Data is not available
- Policies do not exist
- Command & Control is lost
- Brand & reputation are under attack
- Leadership is involved and engaged personally
- Impacts are disproportional
- Events are escalating
- The center of media focus
- Surprise
- Silence = Guilt



'TRUTH OR CONSEQUENCE'

Questions:

- What did you know?
- When did you know it?
- What did you do?
- What did you not do?

Answers:

- If you are explaining, you are losing



Virginia Tech



Virginia Tech became the definitive episode of Workplace Violence





TIMELINE

- 7:15 AM Initial shootings in West Amber-Johnston Hall
 - Lovers' triangle
 - Absence of students to interview
 - Boyfriend left "in a hurry"
- 7:30 AM Near immediate contact with 'suspect' guns found in truck
- 8:25 AM VT Students notification assessment
- 9:00 AM VT Officials briefed
- 9:01 AM Seung-Hui Cho mails package to NBC news
- 9:26 AM The VT campus is notified about the homicide
- 9:45 AM VT police receive the 911 call from Norris Hall
 - Nine minutes from entry to end of shootings





CRISIS MANAGEMENT: FIRST RESPONSE

- Pastoral setting:
 - Physically-intact campus
 - Traumatized community
- Media circus
 - 324 Media outlets
 - 140 Satellite trucks
 - \$4 million by major network in first week
 - The media got very aggressive



WHY ARE EXPECTATIONS SO HIGH?

- **Infotainment style**

- Adopted entertainment forms with 60 Minutes cycle
- Melodrama storytelling formula
 - White hats, black hats and the innocent victim

- **Instant News**

- Broadcast “frontline” technology
- Intense competition based on “breaking news”

- **Internet**

- Everyone is a broadcaster
- Highly interested global networks with emphasis on video



YOU CAN'T CONTROL THE MESSAGE

- Citizen Journalists
 - 15 million identified journalists in the US
 - Immediate publication
 - Reporting “breaking events” with little or no analysis and follow-through
 - Capacity to build audiences quickly and build, damage or destroy reputations
 - If outsiders can get info that fast, why can't insiders?



LESSONS LEARNED

- Expect escalating flow of events
- Insufficient & Inaccurate Information
- Be prepared for intense scrutiny
- Surprise is a common denominator
- How do you keep score in a crisis?
 - Metrics
- How did Virginia Tech perform?
 - Maturity Model



FIRESTORM CRISIS PERFORMANCE MATURITY RATING VIRGINIA TECH

	STAGE 1 LIABILITY	STAGE 2 BASIC	STAGE 3 SUPPORTIVE	SAGE 4 STRATEGIC
	SURPRISE	REACTION	PREACTION	CULTURE
DECISION PROCESS	Process developed as a reaction to	Generic process, decision	Defined process structure, decision rights with the debate,	Clear playbook for major crisis types, clear and known decision rights
ROLES AND RESPONSIBILITIES			es roles and , aligned with event types, es defined	Clearly defined and established roles and responsibilities, predefined by event type, support resources identified and trained, all areas covered well
INFORMATION CLARITY	slow		and, event quickly rization put	Basic and event type information predefined and information processes pre-established, fast response for unique data
SPEED OF DECISION MAKING	Slow lead cons		on se to ss	Highly efficient and timely decision process, anticipates events and needs, consumes only resources needed
COMMUNICATIONS EFFECTIVENESS	Confused reactive, key channels missed, messages not timely	development process; most major channels addressed, reactive messaging	timely message development, some messaging standardized	Proven messaging process, predefined messages for major event types, message content standardized and refined as appropriate

Decision Process. Stage 3

Roles & Responsibilities. Stage 3

Information Clarity. Stage 3

Speed of Decision Making. Stage 3

Communication Effectiveness. Stage 3

Defined messaging process and channels, effective and timely message development, some messaging standardized

PENN STATE



PENN STATE - TIMELINE

1969: Sandusky was hired as a defensive coach on the Penn State staff.

1977: Sandusky helps found The Second Mile. It is a group foster home that helps troubled children with dysfunctional families.

1994: A boy known by the grand jury as Victim 7 met with Sandusky through The Second Mile. He went on to tell the grand jury that he has a "blurry memory" of when he was showering with Sandusky in the locker rooms on the Penn State campus.



PENN STATE - TIMELINE

1998: University police and State Department of Public Welfare investigator interviewed Sandusky. No charges were brought up, and Sandusky said he would no longer shower with children.

1999: Former head coach Joe Paterno told Sandusky that he would not be the next head coach at Penn State. Sandusky later retired but was able to keep special privileges, such as access to the Penn State facilities.

2000: A janitor witnessed Sandusky performing oral sex on a young boy, who is known as Victim 8 in the reports. The janitor went on to tell coworkers and his supervisor, but none of these reports were brought to the attention of authorities.



PENN STATE - TIMELINE

2002: Penn State assistant Mike McQueary told Penn State officials that he witnessed Sandusky having sexual contact with a young boy in the school showers.

2009: An investigation by the Pennsylvania attorney general begins once a boy had told authorities that Sandusky had inappropriately touched him during a four-year period.

2010: Sandusky retired from The Second Mile club, saying he would prefer to spend more time with family.



PENN STATE - TIMELINE

Nov. 5, 2011: Sandusky was arrested and faced up to 40 criminal counts. He was held on \$100,000 bail.

Nov. 7, 2011: Athletic director Tim Curley and vice president for finance and business Gary Schultz stepped down from their positions. They also face charges in a perjury case for not alerting police when allegations on Sandusky were brought to their attention.

June 11, 2012: The Sandusky trial began.



PENN STATE - TIMELINE

June 22, 2012: Sandusky was found guilty on 45 of 48 charges for molesting up to 10 boys over a span of 15 years.

July 12, 2012: The Freeh Report was released.

Louis Freeh is a former FBI director who was hired by the university's board of trustees to investigate what happened. One of the main things that came out of the report was the fact that school officials covered up the scandal by not reporting what they knew.



THE FREEH REPORT FINDINGS

Paterno and others showed "callous and shocking disregard for child victims."

Evidence 2008
investigation

PSU treated as a valued
member.

PSU "The most powerful men at Penn State failed to take any steps for 14 years to protect the children who Sandusky victimized."

Paterno's firing was
justified.

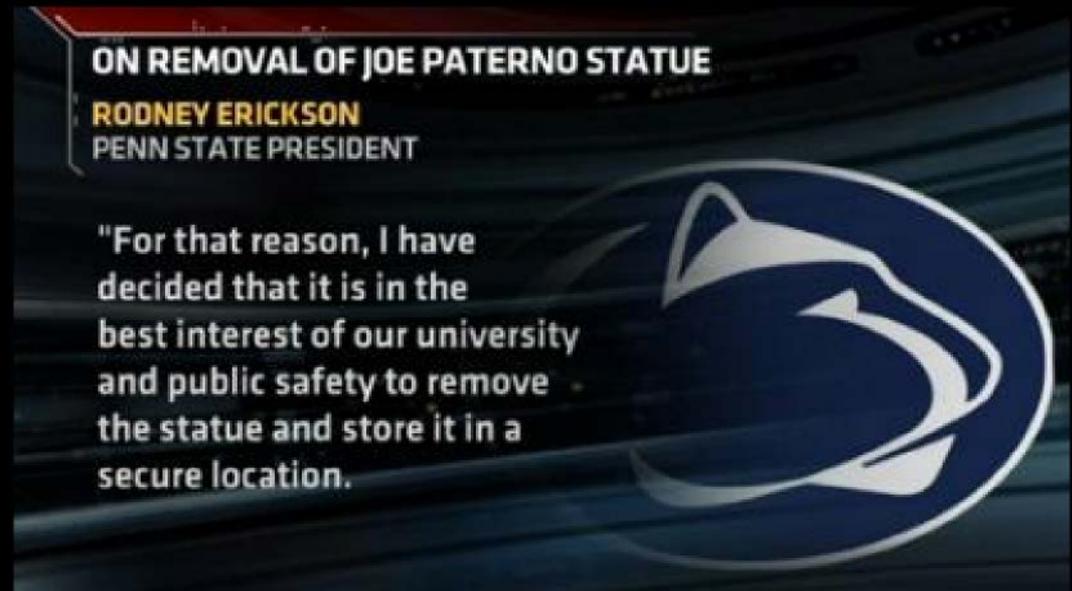
PSU reporting was
comprehensive.

PSU failed to adhere to federal law requiring reporting crimes such as the ones Sandusky committed.

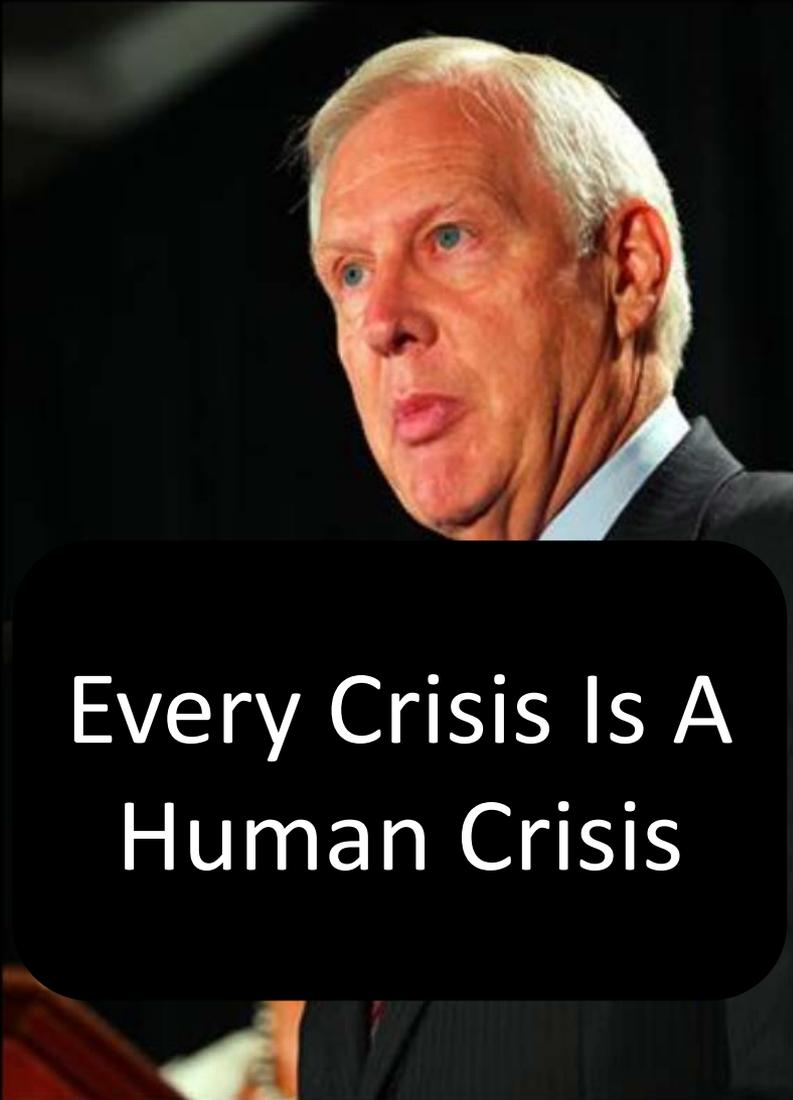


THE RIGHT MESSAGE?

July 23, 2012: Penn State was hit with sanctions from the NCAA that includes a \$60 million fine, a four-year bowl ban, five years probation, loss of scholarships and the allowance of current Penn State athletes to transfer to another program without suffering consequences.



THE RIGHT MESSAGE?



Every Crisis Is A
Human Crisis

Penn State president
Rodney Erickson

"Penn State has general liability coverage like any similar institution. The university is adequately covered to handle lawsuits arising from the sexual abuse scandal that has rocked the country."

"In addition to that, we hope to be able to settle as many of these cases as quickly as possible."



LESSONS LEARNED

- Many Losers
- Very few winners
- ROI vs. ROMI™? Thousands vs. Hundreds of Millions

- How did Penn State perform?
 - Maturity Model



FIRESTORM CRISIS PERFORMANCE MATURITY RATING PENN STATE

	STAGE 1 LIABILITY	STAGE 2 BASIC	STAGE 3 SUPPORTIVE	SAGE 4 STRATEGIC	
	SURPRISE	REACTION	PREACTION	CULTURE	
DECISION PROCESS	Process developed as a reaction to the situation, lots of debate on process, experts called in late	<p>Decision Process. Stage 1</p> <p>Roles & Responsibilities. Stage 1</p> <p>Information Clarity. Stage 1</p> <p>Speed of Decision Making. Stage 1</p> <p>Communication Effectiveness. Stage 1</p> <p>Confused messages, highly reactive, key channels missed, messages not timely</p>		for major crisis known decision mts	
ROLES AND RESPONSIBILITIES	High levels of confusion and changing assignments, decision processes not clear, some areas overlooked			Established responsibilities, support and trained, well	
INFORMATION CLARITY	Difficult to obtain good data, slow to identify needed data and slow response from organization			Information fast a	
SPEED OF DECISION MAKING	Slow process, events outpace leaders, serious confusion, consumes executive team			Some lack making, highly res	ly tes only
COMMUNICATIONS EFFECTIVENESS	Confused messages, highly reactive, key channels missed, messages not timely			Established message development process; most major channels addressed, reactive messaging	and channels, effective and timely message development, some messaging standardized

TRAGEDY IN AURORA



AURORA – POLICE SCANNER TRAFFIC

1:27: "Bring as much crime scene tape as you can"

1:28: Aurora PD merging communications with Denver PD

1:35: Shooter wearing green camo pants

1:37: bomb squad is there, bringing in K-9 units. possible other bombs

1:40: 18 ambulances on scene

1:41: 9news story posted.

1:42: "All ten people in the theater are black.

" In this context, it means fatalities.

1:43: Report of a bomb going off in a theater.

1:45: Patients being transported to Denver Health

1:47: Command staff briefing. This is huge.



AURORA – POLICE SCANNER TRAFFIC

1:49: Car, Tennessee plates, Hyundai, license [redacted]. third to west, in front of doors. Possible bomb. Main entrances of mall covered. Bomb squad moving in.

1:53: Canine units coordinating at SE entrance between JC Penney's and the food court. May be a bomb in there. Theory that bombs may be in front of theater.

1:55: New evidence for shooters. That's plural. Theater 8, the shooter was seated. One more was outside, went into Theater 9. Coordinated attack. Two shooters. Open door discovered at mall. Suspicion of bomb in there.



AURORA — POLICE SCANNER TRAFFIC

1:56: One shooter at large, one in custody.

From Facebook: Someone set off some little party poppers in our theatre, next thing I know someone runs in and said there was a shooting. We huddled down into the seats because people were outside the exit. I was fortunate enough to get home safely with my sister but a few friends are still stuck there.



YOU CAN'T CONTROL THE MESSAGE



Shots fired in the theater. #batman
#aurora #colorado



Oh God, I don't know what to do.



EVERY CRISIS IS A HUMAN CRISIS



“Psychological and
Financial Toll of
Aurora Theater
Killing Will Be Felt
for Years to Come”

*Max Taves,
Wall Street Journal*



FIRESTORM CRISIS PERFORMANCE MATURITY RATING

Aurora

	STAGE 1 LIABILITY	STAGE 2 BASIC	STAGE 3 SUPPORTIVE	STAGE 4 STRATEGIC	
	SURPRISE	REACTION	PREACTION	CULTURE	
DECISION PROCESS	Pro	<div style="border: 2px solid yellow; border-radius: 15px; padding: 10px; margin-bottom: 5px;"> <p style="color: red; font-weight: bold; margin: 0;">Decision Process. Stage 4</p> </div> <div style="border: 2px solid yellow; border-radius: 15px; padding: 10px; margin-bottom: 5px;"> <p style="color: red; font-weight: bold; margin: 0;">Roles & Responsibilities. Stage 3</p> </div> <div style="border: 2px solid yellow; border-radius: 15px; padding: 10px; margin-bottom: 5px;"> <p style="color: red; font-weight: bold; margin: 0;">Information Clarity. Stage 3</p> </div> <div style="border: 2px solid yellow; border-radius: 15px; padding: 10px; margin-bottom: 5px;"> <p style="color: red; font-weight: bold; margin: 0;">Speed of Decision Making. Stage 4</p> </div> <div style="border: 2px solid yellow; border-radius: 15px; padding: 10px;"> <p style="color: red; font-weight: bold; margin: 0;">Communication Effectiveness. Stage 3</p> </div> <div style="border: 2px solid yellow; border-radius: 15px; padding: 10px; margin-top: 10px;"> <p style="font-weight: bold; margin: 0;">Defined messaging process and channels, effective and timely message development, some messaging standardized</p> </div>			Clear playbook for major crisis types, clear and known decision rights
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EXPECT COPYCATS

There have been 14 documented “Copy-cat” instances since July 20, 2012

Maryland police arrest possible Aurora copycat in workplace shooting threat

Neil Prescott, a Pitney Bowes subcontractor employee, called into the Maryland offices and said ‘I am a joker. I’m going to load up my guns and blow everyone up.’ He was arrested Thursday night, cops said. His shirt read: ‘Guns don’t kill people. I do.’



INFORMATION & ACTIONS

- Information:
 - Wrong
 - Confusing
 - Conflicting
 - Changing
- Actions:
 - Immediate
 - Risk Based
 - Consequence Management
 - Copy Cats



Crisis Management Comparison

	Virginia Tech	Penn State	Aurora
Timeline	Short 4 hours	Long 16 years	Short 2 hours
Victims care	Priority	Failure	Priority
Problem addressed	Yes	Very slow	Yes
Communication	Excellent	Cover-up	Very good
Reaction	On target	Confused	On target



CRISIS MANAGEMENT TAKEAWAYS

- Speak Factually - Tell the Truth
- No Spin
- Credibility is Paramount
- Identify a Spokesperson (Have 2 Backups)
- Train the Spokesperson
- 3 Messages
 - *Not Defined by Event*
 - *Invent the Future*
 - *Embrace the Families*
- Monitor & Adjust
- Social Media is Media
- Speed is Quality
- Brand/Reputation Impact



CRISIS MANAGEMENT TAKEAWAYS

A Crisis is not business as usual...

A Crisis is business as unusual.

- When was the last time you did something for the first time?
- Don't let a crisis be it.

A crisis is not the time for on the job training.



FIRESTORM HELPS

For additional discussions or presentation to your organizations, please contact

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QUESTIONS?

Thank You



Knight Capital Group KFG

#1 NYSE and NASDAQ

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MARKET MAKING ELECTRONIC EXECUTION SERVICES INSTITUTIONAL SALES AND TRADING

SEARCH

**# 1 MARKET MAKER
IN RETAIL U.S.
EQUITY SHARES TRADED
OF NYSE AND
NASDAQ STOCKS
(THOMSON TRANSACTION ANALYTICS)**

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08.22.2012 Knight Capital Group Provides Update on Class A Common Shares Outstanding

08.14.2012 Knight Capital Group Releases July 2012 Volume Statistics



Knight Capital Group KFG

85.3 Million Shares Traded Daily

Knight
THE SCIENCE OF TRADING
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**IN THE SECOND QUARTER OF 2012,
KNIGHT LINK EXECUTED
AN AVERAGE OF
85.3 MILLION
SHARES PER DAY**

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Knight Capital Group KFG

Q2 2012 Daily Average 218.8 Million Shares Traded

The screenshot shows the Knight Capital Group website homepage. At the top left is the Knight logo with the tagline "THE SCIENCE OF TRADING" and "THE STANDARD OF TRUST". Navigation links include "MARKET MAKING", "ELECTRONIC EXECUTION SERVICES", and "INSTITUTIONAL SALES AND TRADING". A search bar is located at the top right. The main banner features a background image of a trading floor with multiple computer monitors displaying charts and data. The text on the banner reads: "IN THE SECOND QUARTER OF 2012, KNIGHT DIRECT EXECUTED AN AVERAGE OF 218.8 MILLION SHARES PER DAY". To the right of the banner is a sidebar with a green menu containing "OUR FIRM", "INVESTOR RELATIONS", "NEWSROOM", "CAREERS", and "CONTACT". Below this is a "CLIENT LOGIN" section with a "USERNAME" input field, a password input field, a "LOGIN" button, and a "Change Password" link. A Twitter icon is also present. Below the banner are three columns of service descriptions: "MARKET MAKING", "ELECTRONIC EXECUTION SERVICES", and "INSTITUTIONAL SALES AND TRADING". At the bottom is a news ticker with three items dated 08.28.2012, 08.22.2012, and 08.14.2012.

Knights
THE SCIENCE OF TRADING
THE STANDARD OF TRUST

MARKET MAKING ELECTRONIC EXECUTION SERVICES INSTITUTIONAL SALES AND TRADING

SEARCH GO

IN THE SECOND QUARTER OF 2012,
KNIGHT DIRECT EXECUTED
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OUR FIRM
INVESTOR RELATIONS
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Knight Capital Group KFG

Market maker for 690 Listed Securities

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KNIGHT SERVES AS THE DESIGNATED MARKET MAKER (DMM) IN APPROXIMATELY 690 LISTED SECURITIES ON THE NYSE AND NYSE MKT

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Knight Capital Group KFG

19,000 US Equities Traded

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KNIGHT TRADES OR MAKES A MARKET IN OVER
19,000
U.S. EQUITIES

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Crisis At Knight

\$10 Million Per Minute

theguardian

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Knight Capital Group in crisis after \$440m trading loss

US global financial services firm sees capital wiped out by software glitch as shares plunge 80% in two days.

Reuters in New York

guardian.co.uk, Friday 3 August 2012 02.52 EDT



Knightmare On Wall Street

WEEKEND INVESTOR | Updated August 3, 2012, 6:26 p.m. ET

Knight Glitch Roils Investors

Article | Video | Stock Quotes | Comments (3)

By BEN LEVISOHN ▲ A

When a snafu at [Knight Capital Group](#) KCG -1.72% caused erratic trading in at least 140 stocks on Wednesday, it stirred painful memories of past trading blowups—and reminded investors of how perilous the new electronic trading platforms can be.



Enlarge Image

Agence France-Presse/Getty Images

'Flash crash': Traders at the New York Stock Exchange on May 6, 2010.

During the "flash crash" of May 6, 2010, the Dow Jones Industrial Average quickly plunged more than 9% before recovering much of the lost ground.

That was only the beginning. In July 2011, investors had to navigate trading glitches that caused the prices of real-estate investment trusts that invest in government-backed mortgage securities to collapse. In March, computer problems derailed the initial public offering of electronic-exchange-operator BATS Global Markets. And in May, trading problems during [Facebook's](#) FB +1.04% disastrous IPO cost investors millions.



Could It Happen?



john thackara

@johnthackara



Follow

"Knight Capital Group in crisis after \$440m trading loss" bit.ly/M7W9fp It "couldn't happen" - and then it did.



Reply



Retweet



Favorite

5:07 AM - 3 Aug 12 · Embed this Tweet



Client Notification

What You Say And When Makes A Big Difference

 HALFTIME REPORT

KNIGHT'S MESSAGE TO CLIENTS

WEDNESDAY MORNING

"Due to a technology issue, Knight is experiencing a delay in processing orders of Listed securities. We ask that you seek an alternate destination for the execution of these securities until further notice."

KNIGHT CAPITAL

s Worldwide. ▲ First in Business Worldwide. ▲ First in Business World
First in Business Worldwide. ▲ First in Business Worldwide. ▲ First in Business



Crisis At Knight

Customers Reaction

KNIGHT CAPITAL GROUP IN CRISIS AFTER \$440M TRADING LOSS

Zoho CRM Software Zoho.com/CRM

Easily Customize It To Suit Your Business Needs.
Sign Up For Free!

AdChoices 

Knight Capital Group Inc is fighting for its survival after a \$440 million (£283m) trading loss caused by a software glitch which has wiped out much of its capital, forcing Knight to seek new funding as its shares plunged as much as 80% in two days.

Many of the company's biggest customers, including TD Ameritrade, the No 1 US retail brokerage by trading volume, and fund giants Vanguard and Fidelity Investments, stopped routing orders through Knight. One of the biggest fears is that the company will collapse, landing trading partners with losses.

"They have about 48 hours to shore up confidence," said James Koutoulas, head of an advocacy group for former customers of failed brokerages MF Global and Peregrine Financial.



Facebook IPO Trading

First Day Timely Orders Execution Issues

Nasdaq farce forced brokers to fill from own books

By Graham Fahy

Fri Jun 15, 2012 11:35pm IST

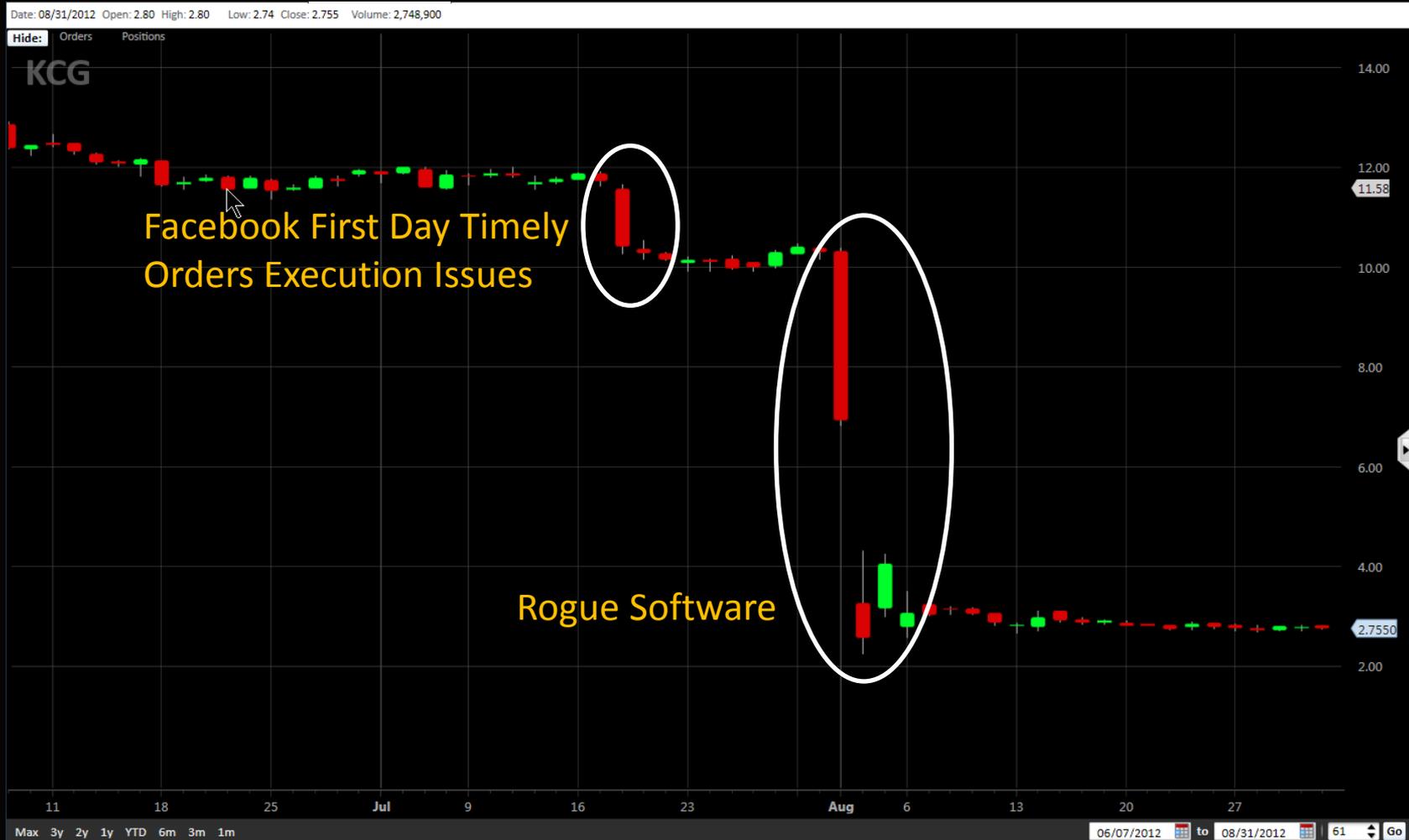
June 15 (IFR) - Much of the losses sustained by banks and brokers involved in the chaotic first-day's trading in Facebook stock were the result of market-makers filling orders from clients from their own books because they were unable to communicate properly with Nasdaq.

Reports suggest that losses from trading in Facebook shares on its stock exchange debut could reach close to US\$500m. UBS is reported to have lost US\$350m, although the bank will not confirm the magnitude of its losses, and the combined losses at Knight Capital, Citadel and Citigroup are believed to be close to US\$100m.



What Was The Cost ?

One Two Punch



Every Crisis Is A Human Crisis

HuffPost Social Reading

Knight Capital Group Seeks Cash Infusion After Glitch Forces \$440 Million Loss

Reuters | Posted: 08/02/2012 9:14 am Updated: 08/02/2012 10:25 am



Getty Images



Do You have a Lifeline?

MERGERS & ACQUISITIONS | AUGUST 6, 2012, 9:04 PM | 5 Comments

Quick Lunge for a Lifeline Helped Knight Capital Skirt Collapse

BY BEN PROTESS AND NATHANIEL POPPER



Brendan McDermid/Reuters

Traders meeting on Monday at the Barclays Capital post, which trades Knight Capital's shares at the New York Stock Exchange.

When Thomas M. Joyce arrived at Knight Capital's Jersey City offices on Sunday, the fate of his company and the legacy of his long Wall Street career were in jeopardy. His lawyers were preparing a potential bankruptcy filing throughout the day, according to people briefed on the matter, and the company's last hope rested with an eclectic group of investors.



The Cost of What You Don't Know Can Be Your Company

Bloomberg View

Bloomberg View: Faster, Knight Capital! Kill! Kill!

Posted on August 09, 2012 |     |  0 Comments

The financial markets in the U.S. are the most sophisticated in the world, yet they can unaccountably spin out of control at a moment's notice. The latest case involves Knight Capital Group ([KCG](#)), a securities-trading company laid low by one of its inadequately tested computer-trading programs. In less than an hour on Aug. 1, the program entered incorrect bids for about 150 stocks into the interconnected electronic marketplace. Computer programs at other firms sniffed out the errors and traded against Knight. By the end of the day, the company was out \$440 million, forcing it to seek outside financing to survive.



A Forty Four Minutes Crisis

Are You Ready To Act Fast?

Knight Capital CEO says firm did not act slowly

Thu Aug 2, 2012 10:37am EDT

Aug 2 (Reuters) - Knight Capital Group Chief Executive Officer Thomas Joyce said on Thursday that the market-making firm had acted appropriately after a trading glitch and would like to maintain its business.

Joyce, whose firm lost \$440 million in capital after the glitch roiled the prices of nearly 150 stocks, told Bloomberg TV that Knight had not acted "in a slow fashion" and had alerted its clients immediately to the problem.

Joyce also said that, despite not being "happy" about reducing investors' confidence after botched trades in markets of late, he aims to keep the firm's business alive.

Knight Capital Group's glitch follows the notoriously botched initial public offering of Facebook Inc, which has been cited as a dent to market confidence.

Joyce also said Knight Capital "has excess capital right now" and that the firm needs to improve its testing operations.

He would not give details on what kind of financing and capital relationships the firm is seeking.

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Are You Ready To Act Fast?

Your Reaction May Be Your Next Crisis



On CNBC, Joyce started on a positive note. He said that the industry has responded well to the crisis: "The wildly flattering thing was how our clients responded to us." Joyce then said that the company made clients the priority, admitting, "There was a problem. We took the consequences. None of our clients took the consequences. And, importantly, the industry didn't suffer."

Joyce also explained what happened: "Sadly, it was a very simple breakdown... an issue with trading technology..." Right now, we're doing an internal investigation." Joyce was firm about coming up with solutions.

When Joyce was asked about an interaction with SEC chair Mary Shapiro, Joyce addressed the question directly. He admitted contacting her while on vacation to request that the SEC cancel some of the incorrect trades. She refused.

"She did what she thought was right for the industry... I'm kind of biased, I wish she had made a different decision, but she did what she thought was right..."



New Regulations?

Knight Capital crisis brings new push for rules on trading, technology, structure

Posted at August 6, 2012 | By : Kahuna ATM | Categories : ATM News Articles | 0 Comments

By Nick Paraskeva

NEW YORK, Aug. 6 (Thomson Reuters Accelus) - The near-collapse of equity market maker Knight Capital after sending erroneous trades to the New York Stock Exchange last week is the latest in a string of errors causing heavy losses and disrupting markets. While smaller in dollar terms than losses from JPMorgan's 'London whale' or UBS' rogue trader, it is causing regulators to review firms' compliance and controls over operational risks, and rules for restructuring of equity markets.



Saved By The Street

Knight Capital Group Completes \$400 Million Equity Financing Agreement

Infusion of new capital and resulting liquidity will allow Knight to resume normal operations immediately



PRNewswire

Press Release: Knight Capital Group, Inc. – Mon, Aug 6, 2012 9:24 AM EDT



New Board Members

Knight

▶ THE SCIENCE OF TRADING
▶ THE STANDARD OF TRUST

MARKET MAKING

ELECTRONIC EXECUTION SERVICES

INSTITUTIONAL SALES AND TRADING

INVESTOR RELATIONS

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PRESS RELEASES

AUGUST 28, 2012

Knight Capital Group Appoints Martin Brand, Matthew Nimetz And Fred Tomczyk To Board Of Directors

JERSEY CITY, N.J., Aug. 28, 2012 /PRNewswire/ -- **Knight Capital Group, Inc.** (NYSE Euronext: KCG) today announced the appointments of Martin Brand, Matthew Nimetz and Fred Tomczyk to the Board of Directors, effective as of August 27, 2012.



Class Action Lawsuit

Graves Bartle Marcus & Garrett, LLC Announces Class Action Lawsuit Against Knight Capital -- KCG



Press Release: Graves Bartle Marcus & Garrett LLC – Tue, Sep 4, 2012 1:39 PM EDT

Companies: [Knight Capital Group, Inc.](#)

RELATED QUOTES

Symbol	Price	Change
KCG	2.67	-0.06



KANSAS CITY, Mo., Sept. 4, 2012 (GLOBE NEWSWIRE) -- Graves Bartle Marcus & Garrett, LLC announces that a class action lawsuit has been filed in the United States District Court for the Western District of Tennessee on behalf of all persons who owned or otherwise acquired the common stock of Knight Capital Group, Inc. ("Knight Capital") ([KCG](#)) on the New York Stock Exchange between February 29, 2012 and August 1, 2012, inclusive. The class action is captioned *Philip Osgood v. Knight Capital Group, Inc.*, Case No. 12-cv-01186 (EGB). This action is brought against Knight Capital for violations of the Securities Exchange Act of 1934 and the Tennessee Consumer Protection Act.



FIRESTORM CRISIS PERFORMANCE MATURITY RATING

Aurora

	STAGE 1 LIABILITY	STAGE 2 BASIC	STAGE 3 SUPPORTIVE	SAGE 4 STRATEGIC
	SURPRISE	REACTION	PREACTION	CULTURE
DECISION PROCESS	Process developed as a reaction to the situation, lots of debate, process, experts called in			for major crisis own decision
ROLES AND RESPONSIBILITIES	High levels of confusion, changing assignments, decision processes not clear, some overlooked			established abilities, support trained, well
INFORMATION CLARITY	Difficult to obtain good data, slow to identify needed data, slow response from organization			ation on best
SPEED OF DECISION MAKING	Slow process, events outpace leaders, serious confusion, consumes executive team			ly
COMMUNICATIONS EFFECTIVENESS	Confused messages, highly reactive, key channels missed, messages not timely	de major channels addressed, reactive messaging	some messaging standardized	or ent standardized and refined as appropriate

Decision Process. Stage 1

Roles & Responsibilities. Stage 1

Information Clarity. Stage 2

Speed of Decision Making. Stage 1

Communication Effectiveness. Stage 1

Confused messages, highly reactive, key channels missed, messages not timely

Crisis Management Comparison

	Virginia Tech	Penn State	Aurora	KCG
Timeline	Short 4 hours	Long 16 years	Short 2 hours	Very short 45 min
Victims care	Priority	Failure	Priority	Partial
Problem addressed	Yes	Very slow	Yes	Slow
Communication	Excellent	Cover-up	Very good	Unclear
Reaction	On target	Confused	On target	Slow



There are two elements to catastrophic impact:

“The first is the immediate estimate of the associated economic loss.

The second hinges on management’s ability to deal with the aftermath.”

Study released by Oxford University and the Sedgwick Group that analyzed the impact of catastrophes on shareholder value



Possible Mistakes To Watch-Out For

1. Underestimating the chances of major or catastrophic risks;
2. Lacking tested and effective contingency plans;
3. Failing to immediately accept accountability and responsibility;
4. Meeting only the required legal minimums instead of doing the right thing;
5. Not demonstrating leadership and vision when action is finally taken;
6. Sacrificing the latest technologies and safety systems to budgetary constraints;
7. Not providing accurate and timely information to those working in the field.



FIRESTORM HELPS

For additional discussions or presentation to your organizations, please contact

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