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KNIGHT CAPITAL AMERICAS LLC



INTRODUCTION


The Knicht Capital Americas LLC case offers an excellent understanding of the functioning of the trading firm and focuses on the details connected to one of the greatest tragedies of the trading firm in the financial markets – the trading flaw in August 2012. This event is one of the most important events in the company's history and has strong implications for organizational learning particularly concerning aspects of risk and operation controls.





BACKGROUND


Knight Capital together with several other companies were key actors in the electronic trading market especially through high frequency trading. But the firm was struck by a massive blow when a software installation mistake led to the trading mishap that led to the wrong trades worth around \$440 million within the first 45 minutes of the trading session. It brought distressing issues regarding the effectiveness of Knight's business procedures and risk handling.





LESSONS LEARNED

The aftermath of the disaster made Knight Capital rethink its, organizational operation and the way risk management is administered. What emerged was the need for technological reliability, strict operational standards, corporate responsibility. The Knight Capital case is a good example of what financial institutions should be protective of as they adapt to increasing technological innovations and emerging markets.





CONCLUSION

Therefore, Knight Capital Americas LLC case is quite a vivid example of the consequences of insufficient risk management and operational control. His approach highlights the importance of the need to ensure financial firms assume the right postures for embracing technology and managing risks so as to avoid future crises.





RECOMMENDATION

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