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Judges Push to Wrap Up French Trader Inquiry

By Nicola Clark and Katrin Bennhold
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PARIS   The judges leading the investigation of Jérôme Kerviel, the Société Générale employee blamed for trading losses of nearly 4.9 billion euros ($7.2 billion), are expected to conclude their work by summer, with a trial likely to begin in early 2009, lawyers said Friday.

"So long as there are no surprises, it would not be impossible for the investigative phase to conclude by late June or mid-July," said a lawyer representing the French bank, Jean Veil.

A lawyer for Mr. Kerviel, Guillaume Selnet, concurred, adding that the judges, Renaud van Ruymbeke and Françoise Desset, appeared eager to wrap up their work.

In the last two months, the two judges have met with dozens of current and former Société Générale employees. Mr. Kerviel was released from jail last month after spending five weeks in pretrial detention.

On Thursday, the judges interviewed Mr. Kerviel along with Martial Rouyère, who heads the Delta One trading desk where Mr. Kerviel worked.

During the two-hour hearing, Mr. Kerviel repeated that Mr. Rouyère and others had been informed last fall by the bank's control officers that the Frankfurt-based derivatives exchange, Eurex, had raised questions about the volume of trades executed by Mr. Kerviel, said a person who was briefed on the hearing.

Mr. Rouyère acknowledged having received the alerts but told the judges that he had not read them closely and did not appreciate their significance at the time, said the person, who requested anonymity because he was not authorized to discuss details of the hearing. Both Mr. Veil and Mr. Selnet declined to comment.

Mr. Rouyère's statement appears similar to testimony given last month by his deputy, Eric Cordelle, who was Mr. Kerviel's supervisor. According to court documents, Mr. Cordelle told the judges that he had received e-mail messages from the bank's back-office staff in November, seeking information to help explain some of Mr. Kerviel's trades, but that he had not read them all.

In particular, he was unaware of one glaring red flag cited by the exchange: The purchase on Oct. 19 of 6,000 DAX index futures contracts within two hours, valued at more than 1 billion euros ($1.5 billion).

"I would have hit the ceiling," Mr. Cordelle said, according to the document. "The limit was 125 million euros for the team and that was recalculated every night by the risk-management department."

Mr. Kerviel has told investigators that the daily cap of 125 million euros on unhedged risk exposure was a theoretical rather than a formal limit, which was frequently breached by the traders on the Delta One desk.

Mr. Kerviel's lawyers said that they were preparing to file a complaint against Société Générale for violating labor laws when the bank fired him. The lawyers say the bank failed to comply with dismissal procedures, which require an employer to meet face to face with an employee to explain the reasons for the termination.

Mr. Kerviel has not set foot inside Société Générale's offices since Jan. 20, two days after the bank said it uncovered his 50 billion euros in unauthorized trades. As of late January, he has been barred from meeting with anyone at the bank.

Should Mr. Kerviel succeed in his complaint in French labor court, the maximum damages he could receive from Société Générale would be equivalent to a month's salary, lawyers said.