There are truly sinister business people with sinister intentions, but for the most part, ethical and legal lapses are the stuff of average people who know better.

John Dalla Costa
MY LEVEL OF ETHICS

My level of ethics is...

a. above average
b. average
c. below average
OVERCONFIDENCE

83% of us say that at least one half of the people we know would list us as one of the most ethical people they know

74% of us believe our ethics are higher than those of our peers

An amazing 92% of us are satisfied with our ethics and characteristics

More than 50% thinks that they drive better than average

Robert A. Prentice
GOAL OF ETHICS WORKSHOP

• Viewing yourself as ethical is not enough
• Following the law is not enough
• Need to:
  - Become conscious about your ethical biases
  - Recognize ethical dilemmas
  - Know ethical principles
  - Take the appropriate action  

More needed than good intentions

Ask yourself:
"Am I willing to issue a press release detailing my actions?"
"What will my mother say if she reads about this in the newspaper?"

Needs practice!
CFA CODE OF ETHICS

• Act with integrity
• Subordinate personal interests *Clients come first*
• Exercise reasonable care and independent judgment
• Demonstrate ethical practice and professionalism *Encourage others*
• Promote capital market integrity
• Maintain and improve professional competence
I. Professionalism  Independence and objectivity; no misrepresentation
II. Integrity of Capital Markets  Don’t trade on inside information
III. Duties to Clients  Loyalty, prudence and care; suitable advice
IV. Duties to Employers  Loyalty
V. Investment Analysis, Recommendations, and Actions  Reasonable basis
VI. Conflicts of Interest  Disclose
VII. Responsibilities as a CFA Institute Member or CFA Candidate  
Don’t cheat on the exam; don’t misrepresent what the designation means
IMPORTANT REASONS FOR UNETHICAL BEHAVIOR

• Obedience to authority  "I was just following orders!"
• Conformity bias  "Everybody's doing it!"
• Incrementalism  Lower the bar step by step
• Groupthink  "You're just not getting it"
• Over-optimism  Liars express honestly held but irrationally optimistic views
• Overconfidence  "I'm more ethical than others"
• Self-serving Bias  Confuse what is personally beneficial with what is moral
• Sunk cost  Throwing good money after bad money

...it's only human to have these biases

THE TAKEOVER

You are trustee of Pensionfund Ensemble and advisor to IT firm Script as two of your many jobs. Consulting firm Mondial is responsible for the benefits administration for Ensemble. Mondial decided to sell its benefits administration division to Script. You find out about this takeover after the fact and without consulting you or Ensemble.

Is there an ethical dilemma?

What is right course of action?
THE HISTORICAL COST PRICE

As portfolio manager at insurance company DPZ you bought 1,000 shares at price €100. After the acquisition, the market price of the shares dropped to €80. DPZ does not want to publicly show the loss of €20,000 relative to the historical cost price because it reflects badly on DPZ’s reputation in the market place and could trigger intervention by the regulator. In order to hide the loss, your boss instructs you to buy an additional 1,000 of the same shares at the new market price €80 and immediately short the exposure to the additional 1,000 shares through derivatives. This lowers the average historical cost price to €90 without increasing the net equity exposure. The loss relative to the historical cost price is now an acceptable €10,000.

Is there an ethical dilemma?

What is the right course of action?
You are hired not only because of your expertise but because of your professional judgment.
THE CHEAP LOAN

You are junior portfolio manager managing a portfolio of bonds and loans at pension fund AAD. AAD and Compro Bank just issued a press release stating that AAD sold their real estate division to Compro Bank. The press release does not state that as part of the deal you were instructed by your boss to provide a cheap loan to Compro at an interest rate clearly below market conditions. This cheap loan effectively lowers the transaction price significantly.

Is there an ethical dilemma?

What should you do?
The hardest thing about being a CFA charterholder is upholding the Code & Standards