

**Financial
Planning
Association
2024 Ethics
Continuing
Education**

November 22, 2024

**BUSINESS ETHICS
ALLIANCE**



FACILITATOR



**AnnMarie Marlier, Ph.D.
Executive Director
Business Ethics Alliance**

AnnMarie serves as the Executive Director of the Business Ethics Alliance. Before coming to the Alliance, she spent majority of her career in higher education administration as a faculty member, program director, academic dean, and student affairs director. When not in higher education, AnnMarie worked in for-profit, nonprofit, and entrepreneurial ventures as a trainer, manager, and business owner. She earned a B.A. degree in English and Communications/Media/Theatre, a M.Ed. in Adult Education, and a Ph.D. in Urban Education with concentrations in Adult Education and Business Administration.

- 1. Clarify definitions of ethics, compliance, regulation**
- 2. Identify perceptions and misperceptions of ethical responsibilities regarding business between provider and client**
- 3. Use ethical decision-making models to create trust**
- 4. Evaluate ethical uses of AI**

**CLARIFYING
TERMS
AND
PERSPECTIVES**

MODULE ONE

**BUSINESS ETHICS
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Take a Stand

For those in the room, stand if you agree with the statement or stay seated if disagree with the statement. For those attending virtually, use the Poll or survey link (if there is one) that appears to record your answer. If no poll or other link appears, decide your position on your own and enjoy some exercise. Be prepared to justify your position.

- Ethics and morals are the same thing
- Laws can be unethical
- Ethics can be regulated
- Business involves a monetary exchange
- Compliance and ethics are the same thing
- All members of an alliance think the same way
- AI evolves without human intervention

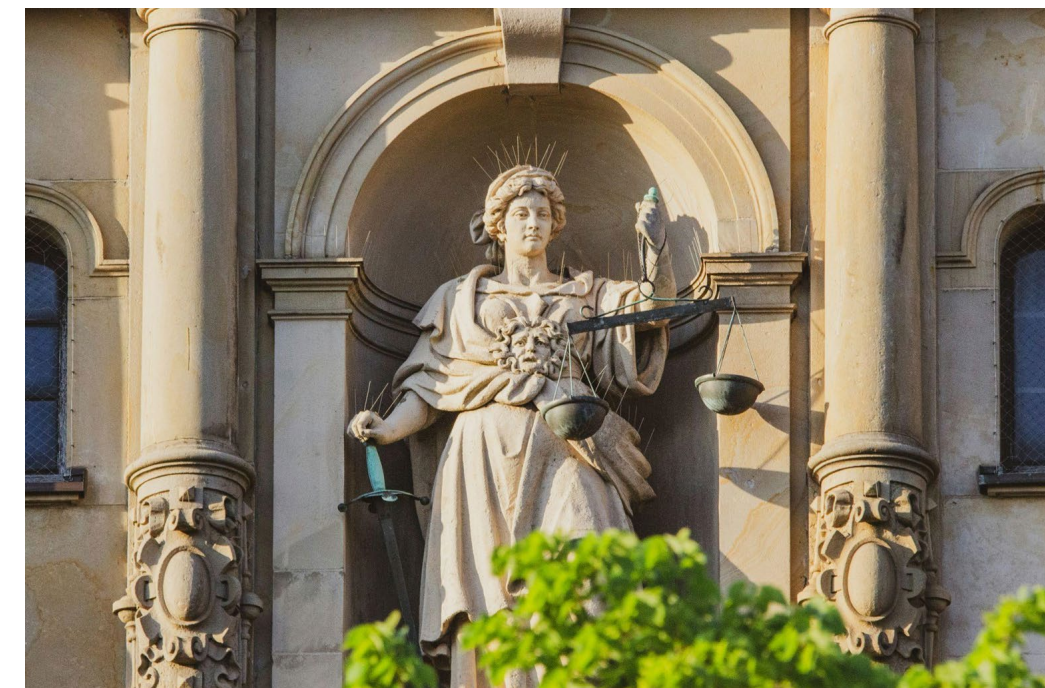
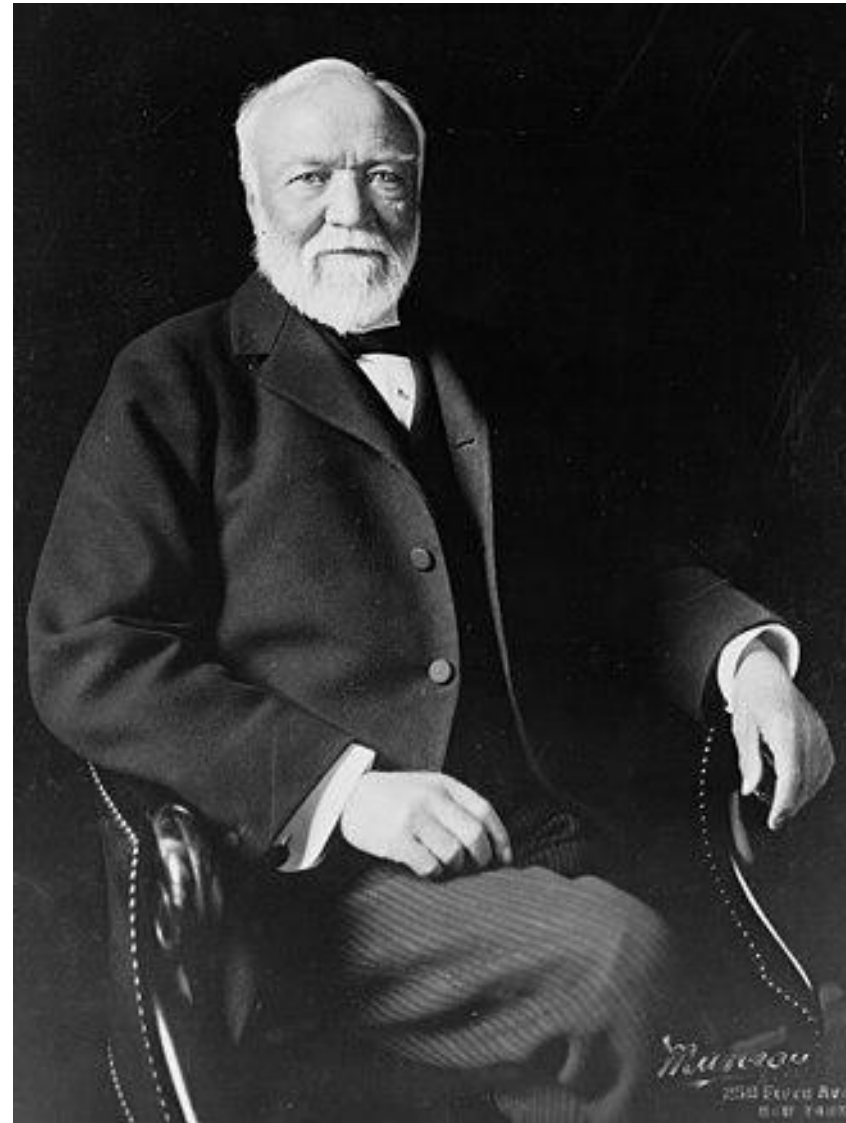


Photo by [Philippe Oursel](#) on [Unsplash](#)

What Does it Mean to Be an Ethical Leader?



“Andrew Carnegie gave away 90% of his wealth—about \$350 million—to endow an array of institutions, including Carnegie Hall, the Carnegie Foundation, and more than 2,500 libraries. But he also engaged in miserly, ineffective, and probably criminal behavior as a business leader, such as destroying the union at his steel mill in Homestead, Pennsylvania.”

~ Bazerman, M.H. (2020). A new model of ethical leadership. *Harvard Business Review*.

What Does it Mean to Be an Ethical Leader?



Former Speaker of the U.S. House of Representatives Kevin McCarthy twice crossed party lines to negotiate deals with President Biden and other Democrats on budget spending deals that would avoid government shutdowns. Depending on how you perceive the situation, McCarthy either did what he thought was right for the country, or broke his promise to live by the values and beliefs of his political party.

What Does it Mean to Be an Ethical Leader?



Catherine the Great overthrew her husband's (Peter III) reign as Emperor of Russia. Her reign, considered one of Russian Enlightenment saw a rise in the arts, literacy, science, culture, and colonial growth. However, those opposing her saw her as a power-hungry usurper of the traditional Russian way of life, an unfaithful wife, and potential assassin of her husband.

Defining Ethics

According to Merriam-Webster.com:

“Ethics is the principles of conduct governing an individual or a group.”

Ethics (plural) are actions derived from a set of values or moral principles but they are NOT the values or moral themselves.



Photo by [Brett Jordan](#) on [Unsplash](#)

Defining Regulation

According to Merriam-Webster.com:

Regulation is “*a rule or order issued by an executive authority or regulatory agency of a government and having the force of law.*”



Photo by [Brett Jordan](#) on [Unsplash](#)

Defining Compliance

According to Merriam-Webster.com:

Compliance is “*conformity in fulfilling official requirements.*”



Photo by [Brett Jordan](#) on [Unsplash](#)

Official requirements can be vague:

- Official according to who or what?
- What if two or more requirements are “equal” in priority?
- What if the official requirement is unethical?

What is the Higher Standard?

Ethics

- Framework to guide behavior and decision-making
- Follows spirit of law, policy, regulation, etc.
- Influences through “what is right”
- Less defined and more ambiguous
- Aligned with morals and values

Compliance

- Framework to guide behavior and decision-making
- Follows letter of law, policy, regulation, etc.
- Influences through legal process
- More defined and structured
- Aligned with regulations and processes

Is it better to be ethical and non-compliant, or compliant and unethical?

Ethics or Compliance?

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**PROFESSIONAL
CODES OF CONDUCT
AND
ETHICS**

MODULE TWO

**BUSINESS ETHICS
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Codes of Ethical Behavior

Most financial professionals follow a code of professional code of conduct/ ethics. Which code guides your practice? What part of a professional code of conduct do you value most?

IAIP

(International Association of Insurance Professionals)

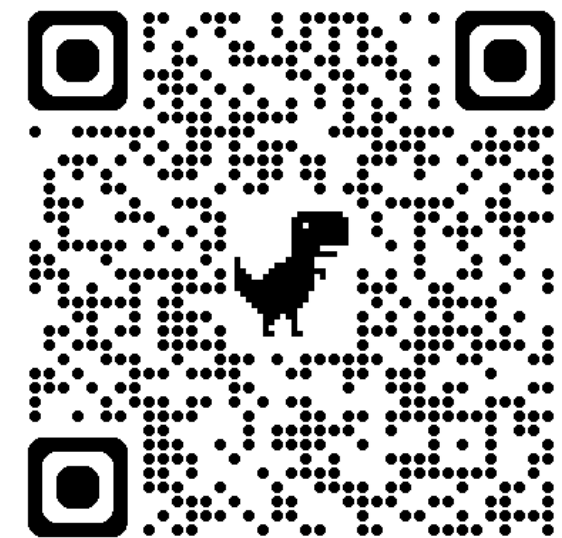
https://www.internationalinsuranceprofessionals.org/page/code_of_ethics



FPA

(Financial Planning Association)

<https://www.cfp.net/ethics/code-of-ethics-and-standards-of-conduct>



CASE STUDY #1: Competing Interests

- a. “Bob” (agent) has a contact who is not a client. This contact sends “Bob” some information on a an insurance policy he wants to purchase.
- b. “Jan” (another agent who works in for the same agency) meets Bob’s contact at a social event through family members. Jan and Bob’s contact began talking “business” and Jan sets up a meeting with Bob’s client to begin discussions about his becoming a client
- c. Both Bob and Jan want to to do business with this client as he holds influence in the community and would bring a significant income boost to their client portfolio. Bob and Jan come to you to determine who gets to work with the contact.

In small groups (table or breakout room), discuss the following:

1. What are the ethical implications of this case?
2. How would you guide Bob and Jan if you were their manager?

CASE STUDY #2: Client v. Team Needs

One of the largest clients (top 10 revenue generating) at the firm put pressure and stress on the team members working for the client. The team did great work for the client with limited thanks, criticism, and a level of disrespect for the team's knowledge of technical matters. As the manager, you monitored the situation to bring some order to the relationship. The client behaved well in front of you and at times, was enjoyable to work with. Other times, the bad side would come out, including badgering behavior toward various team members. The person in charge of the account had been willing to put up with the behavior until recently, but the executive team decided to terminate the relationship, citing an unacceptable working relationship, risk with the work product, and loss of personnel on the team.

In small groups (table or breakout room), discuss the following:

1. What are the ethical implications of this case?
2. As the managing shareholder, would you have made the same decisions as the client experience leader? As the firm?

BREAK TIME!

15 Minutes



Photo by [Patrick Perkins](#) on [Unsplash](#)

MODULE THREE

ETHICAL DECISION-MAKING

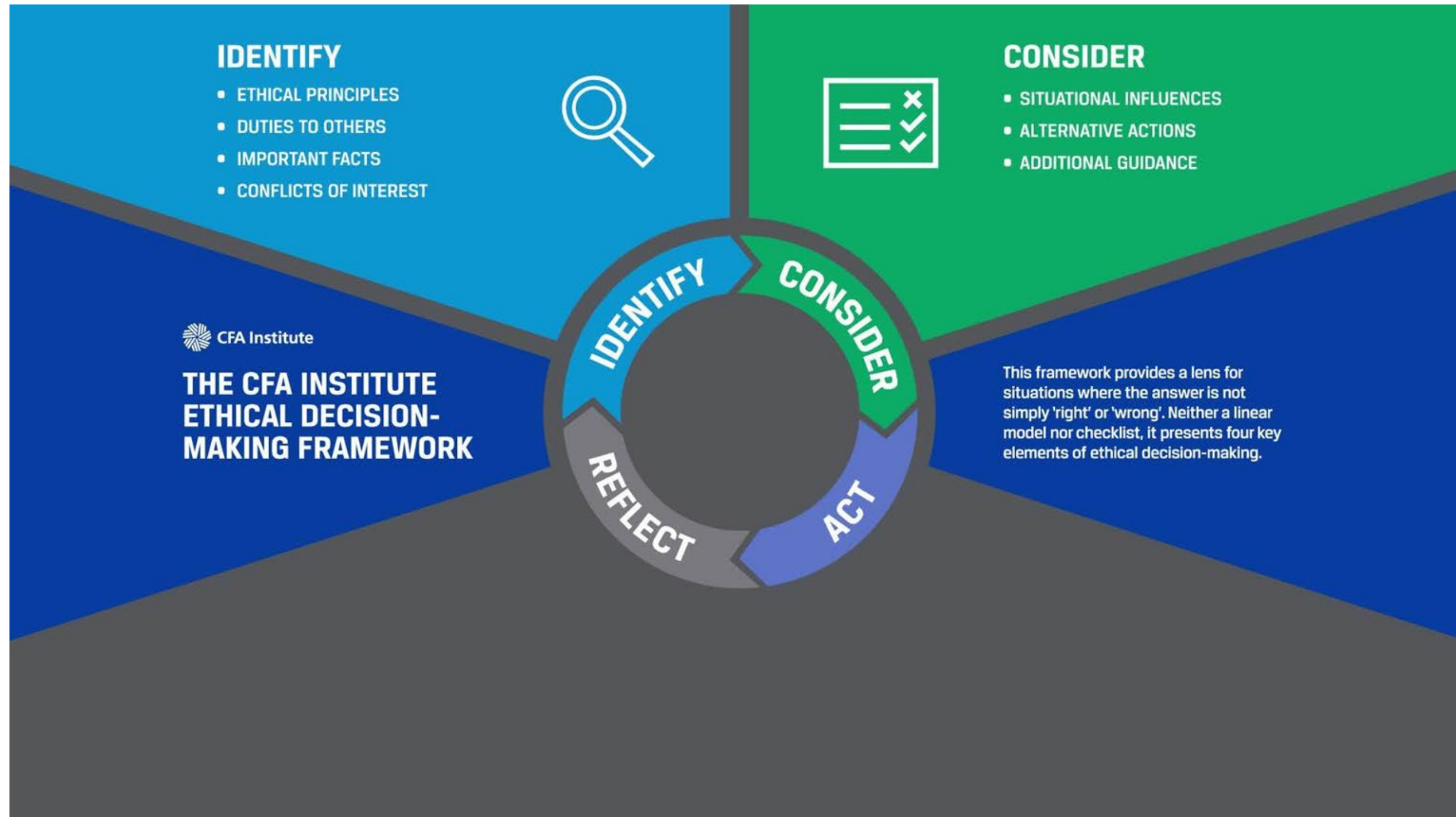
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Before we explore established frameworks please take 5 minutes to outline your own framework for making ethical decisions, this framework can be constructed however you like but should be able to test a scenario and decision to determine if it would be ethical.

Personal Ethical Decision Making Frameworks

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Framework 1, CFA Institute



Four key steps:

- Identify
- Consider
- Act
- Reflect

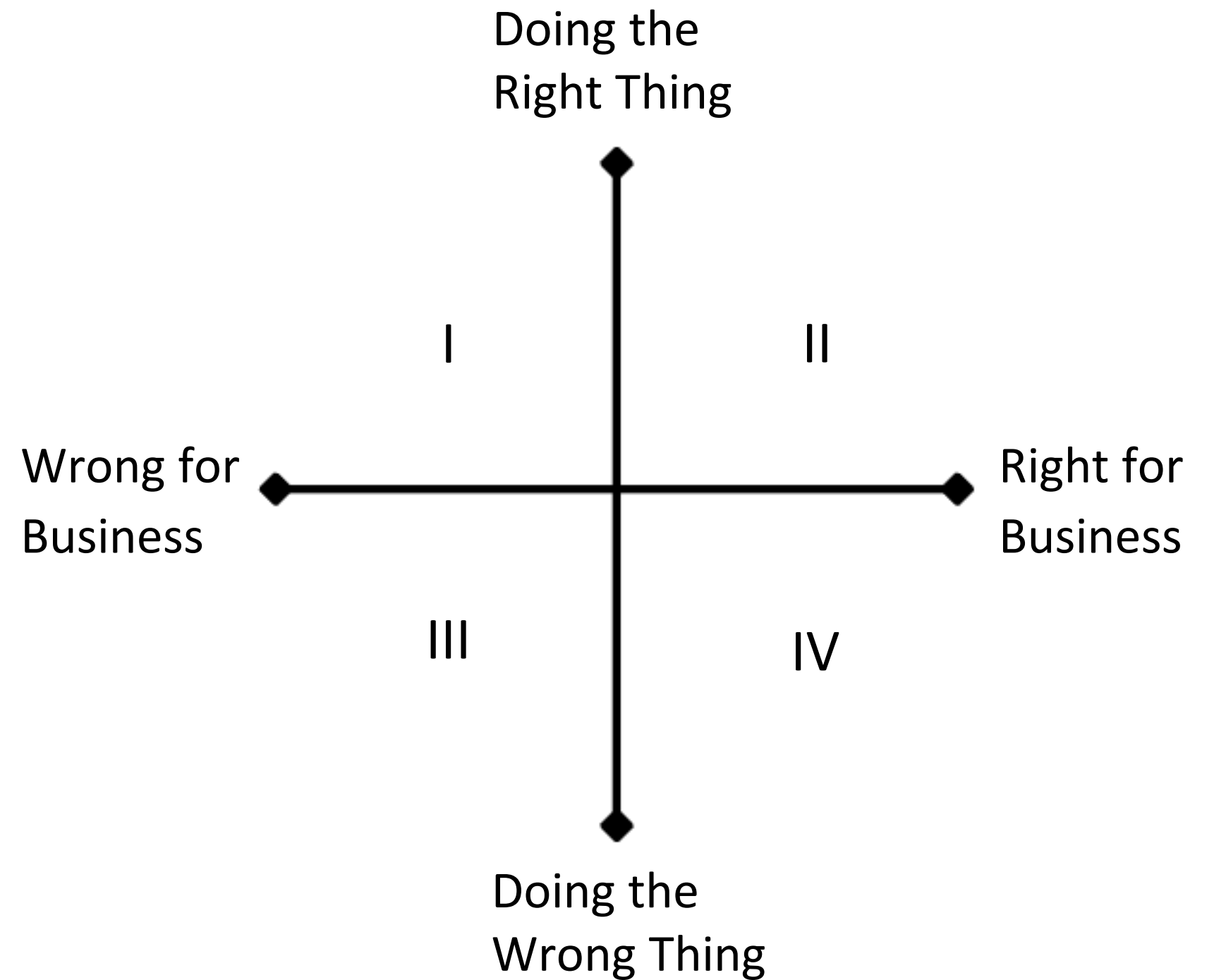
Framework 2, Herberger Business School, St. Cloud State

HBS's Ethical Decision-Making Framework	
Step	Important Criteria
Define the Ethical Issue	Describe the situation & context List facts and assumptions Identify conflicts of interest
Reflect on Personal Values	Consider your personal ethics statement Consider major ethical theories Reflect on your ethical lens (ELI) Consider discipline specific ethics (e.g. CPA)
Consider Stakeholder Perspectives	Identify relevant stakeholders and positions Consider positions of other ethical lenses (ELI) Consider entity's ethical standards
Analyze Alternatives	Develop and analyze multiple alternatives Consider strengths and weaknesses of each Consider mitigating options Seek advice - discuss with key stakeholders
Decide and Support	Disclose decision and rationale Support decision and acknowledge criticisms Reflect on results

Do any of the important criteria change if you are an independent practitioner (i.e., not working for a larger organization)?

If so, which ones and how?

Consider a matrix such as the one to the right where the vertical axis represents doing the right thing, and the horizontal axis represents doing what is right for your organization. With at least 2-3 others, discuss an ethical issue you've faced recently at your organization. What were the considerations you faced? In what quadrant did the issue resolution land? In what quadrant does your organization fall? Why?



Take 5 minutes to compare your framework to one of the others:

1. How similar are they?

2. What do you like about the other one compared to yours?

3. What don't you like about the other one compared to yours?

4. How effective would your framework be? What about the comparison framework?

CASE STUDY #3: Fiduciary Responsibility

John, a financial advisor at a reputable wealth management firm, has a close personal relationship with Sarah, a long-time client. Sarah is nearing retirement and relies heavily on John's guidance for her investment portfolio. John recently discovered that a smaller tech company he personally invested in is about to be acquired by a much larger firm, resulting in a significant potential for increased stock value. John believes this is a great opportunity for Sarah and strongly recommends she invest a substantial portion of her retirement funds into this company.

In small groups (table or breakout room), discuss the following:

1. What are the ethical implications for the client? For the financial advisor?
2. What decision-making process would you recommend Sarah use to evaluate her final decision about investing?

Stuck? A quick gut check framework

Because of discipline specific knowledge, making an ethical framework for decision-making can be hard. Here is a quick gut check:

- Imagine a family member you care deeply for (parent, child, aunt, etc) who knows very little about finance
- Consider what decision you would want another finance professional to make for them
- If that decision and yours don't line up, it may require you to re-evaluate your decision.

ARTIFICIAL INTELLIGENCE (AI) and ETHICS

MODULE FOUR

**BUSINESS ETHICS
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What AI Is...and Is Not...



SHALL HE PLAY A GAME?

Shall We Play a Game?

Defining Artificial Intelligence

According to Merriam-Webster.com:

Artificial intelligence is ***“the capability of computer systems or algorithms to imitate intelligent human behavior.”***

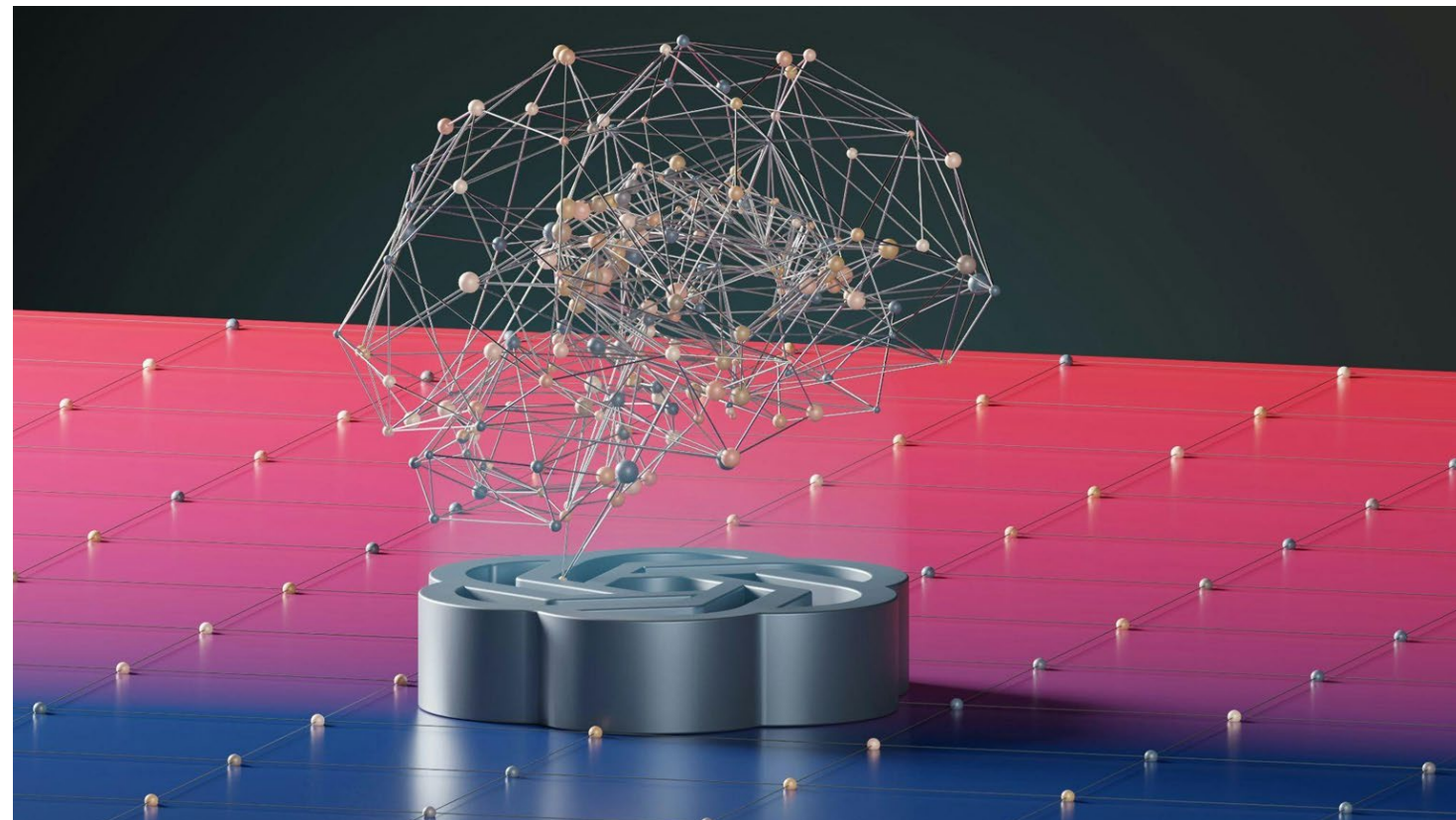


Photo by [Growtika](#) on [Unsplash](#)

What AI Is...and Is Not...

AI Is

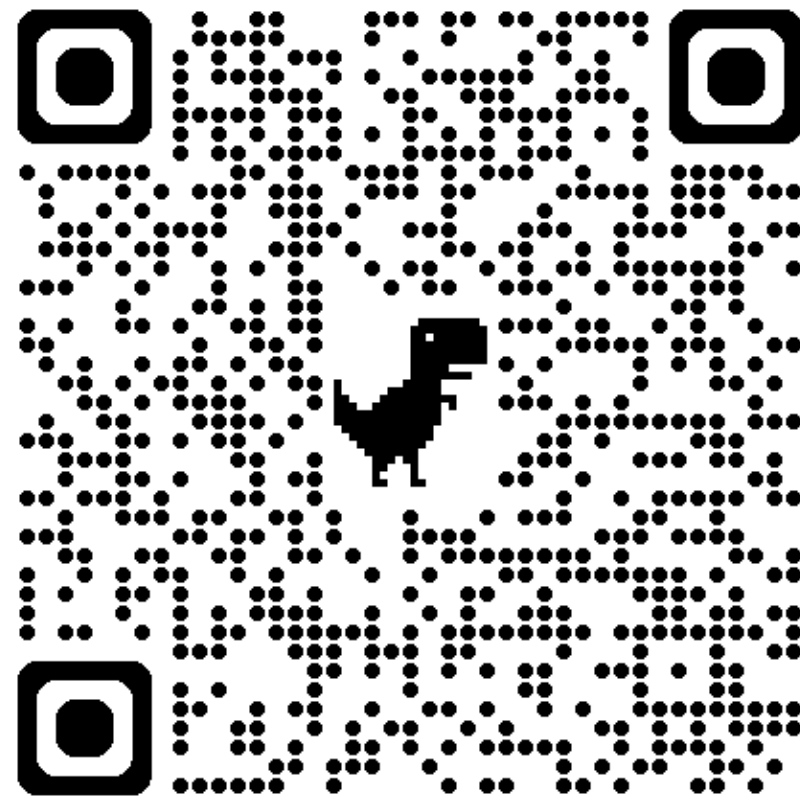
- A software model
- Developed, tested and implemented by people
- Limited by human inputs; reflect the belief, biases, perceptions, and “behaviors” of the programmers
- Generative

AI Is Not

- Alive or sentient
- Automatically evolving without human intervention
- Omniscient
- Emotional or “perceptive”

AI Perceptions and Misperceptions

After reading the article [“Can generative AI provide trusted financial advice?”](#), talk at your table or breakout room about beliefs, perceptions, and/ or misperceptions you have about artificial intelligence and its use in financial services.



In a posting on LinkedIn by The Carnegie Council for Ethics in International Affairs was a survey asking people if it is ethical for someone to create content using generative AI without disclosing that generative AI was used.

Is it OK to use AI and not disclose its use?

1. Yes, it is ok to use AI and not disclose use.
2. No, it is not ok to use AI and not disclose use.

81 percent of respondents in the survey said NO, it was not ethical to not disclose when generative AI was used to create content. Even Meta has said [they will disclose when an image is AI generated](#).

Using AI Ethically



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General AI Ethics

- Transparency
- Impartiality
- Accountability
- Reliability
- Security and Privacy

Google's AI Principles:

1. Be socially beneficial
2. Avoid creating or reinforcing unfair bias.
3. Be built and tested for safety
4. Be accountable to people
5. Incorporate privacy design principles
6. Uphold high standards of scientific excellence
7. Be made available for uses that accord with these principles

AI Ethics and Principles

The logo for Google AI, featuring the word "Google" in its multi-colored font followed by "AI" in a grey sans-serif font.The logo for the Business Ethics Alliance, consisting of the words "BUSINESS ETHICS" and "ALLIANCE" stacked vertically in a white sans-serif font, enclosed within a white rectangular border.

CASE STUDY #4: Ethical Implications of AI in Financial Services

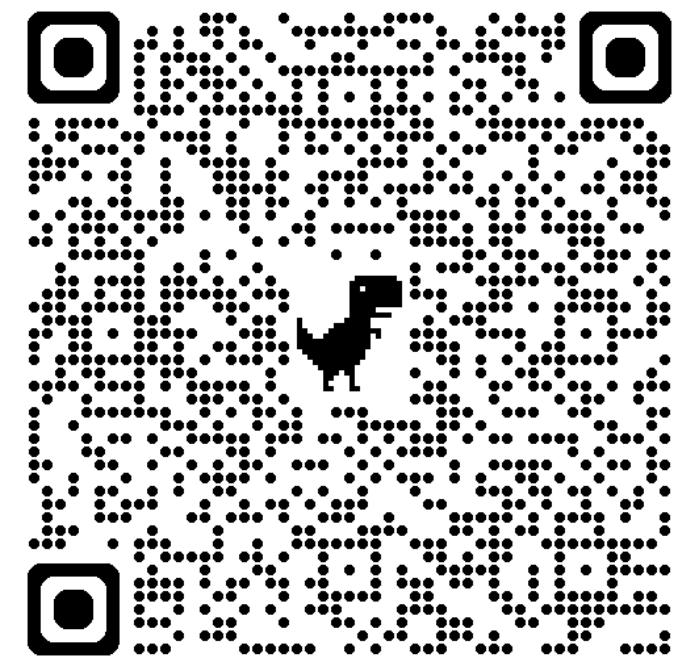
Using the article “[Understanding the Ethical Risks of AI in Financial Services](#)” discuss the following questions with a partner or small groups (table or breakout room):

1. Identify 2-3 examples of AI use you have seen, heard about, or experienced in your practices.

Were these uses ethical or unethical uses?

2. What are the benefits, challenges, and potential consequences of using AI in financial services?

1. How much time can using AI really save?
2. What does using AI “cost” in unethical situations?
3. Is the use of AI worth it?
4. How would you address using AI to prevent unethical use?



AI and Financial Services

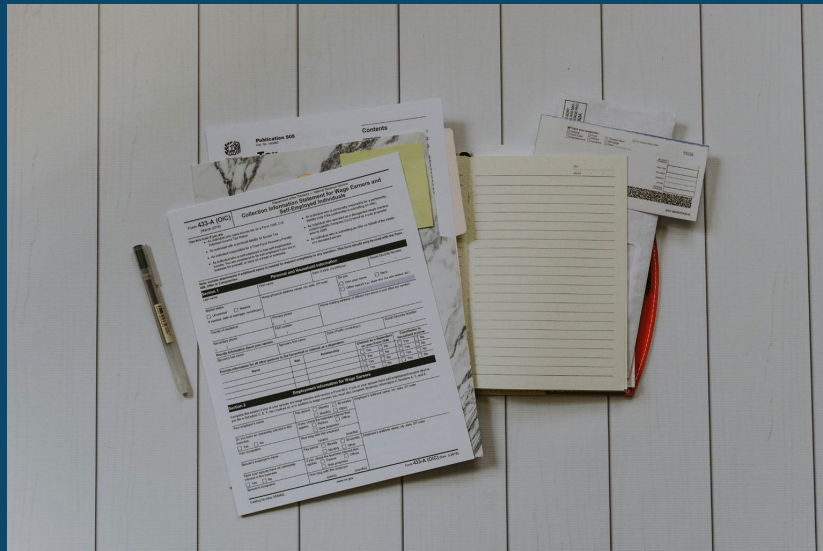


Photo by [Kelly Sikkema](#) on [Unsplash](#)

1. Where do you see AI helping you the most in your career?
2. What challenges do you foresee with using AI?
3. Do you think it is feasible for you to fully implement AI in your career practices, why or why not?
4. What big impacts do you think AI will have on the financial services industry as a whole?

BREAK TIME!

15 Minutes



Photo by [Patrick Perkins](#) on [Unsplash](#)

**ARTIFICIAL INTELLIGENCE
(AI)
REGULATIONS
and
ETHICS**

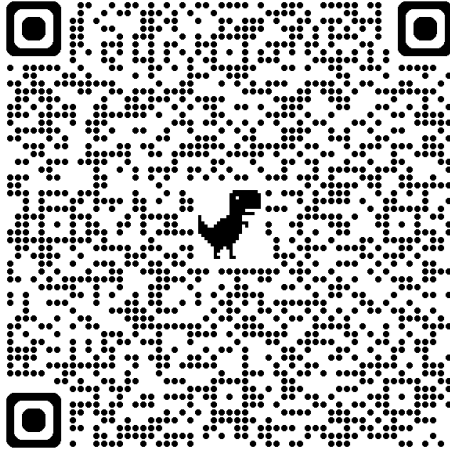
MODULE FIVE

**BUSINESS ETHICS
ALLIANCE**

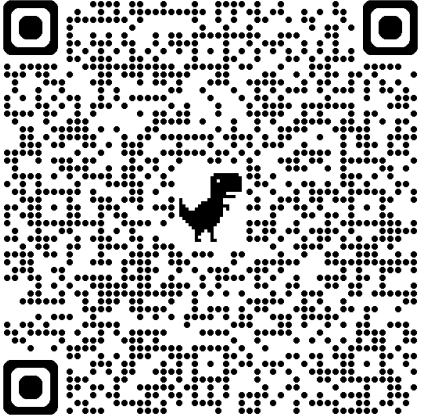
Trends in Regulating AI

At a panel discussion regarding the Ethics of AI Regulation hosted by the Business Ethics Alliance on 2/22/24 the following was identified as a significant regulation trend: 2024 elections- with bi-partisan alignment and support for regulating AI across the region at the federal level although at the state level, regulation might resemble more of a patchwork of laws focused more on data privacy regulations.

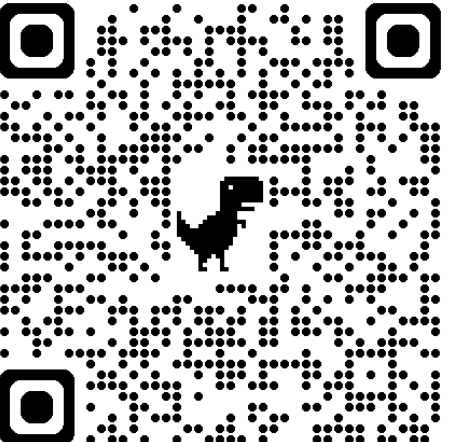
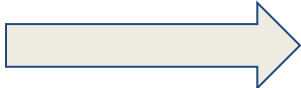
[Colorado Lawmakers Consider Landmark AI Regulations](#)



[Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence](#)



[The European Union \(EU\) is completing their Omnibus Regulation Act concerning data privacy and AI.](#)



Regulating AI

Panelists at a Business Ethics Alliance session on Regulating Artificial Intelligence session also identified the following industries as most impacted by AI regulation discussions:

- Innovation industries like science and technology (rely on the ability to “push” boundaries of knowledge and practice)
- Creative and content driven industries where copyright laws cannot keep up with AI, and
- Small businesses which may not have the capacity to fully utilize or understand the implications of AI use as being the most impacted by AI regulation discussions.

If you were working with a client in one of these industries, and wanted to use AI technology, how would you reassure your client that AI use was responsible? If the client was reluctant, would you change your approach?

Mindsets Regarding AI

Understanding our own mindsets is critical when working with AI:

- How much risk are you willing to take on?
- What are the biases, discrimination and blindspot aspects their organizations risk implementing by using AI?
- At what point is human involvement critical and irreplaceable?

Which is the “best” (most responsible) option?

- Human beings out of the AI loop (highest ethical risk),
- Human beings over the AI loop (moderate ethical risk)
- Human beings in the AI loop (lowest ethical risk if humans are ethical).

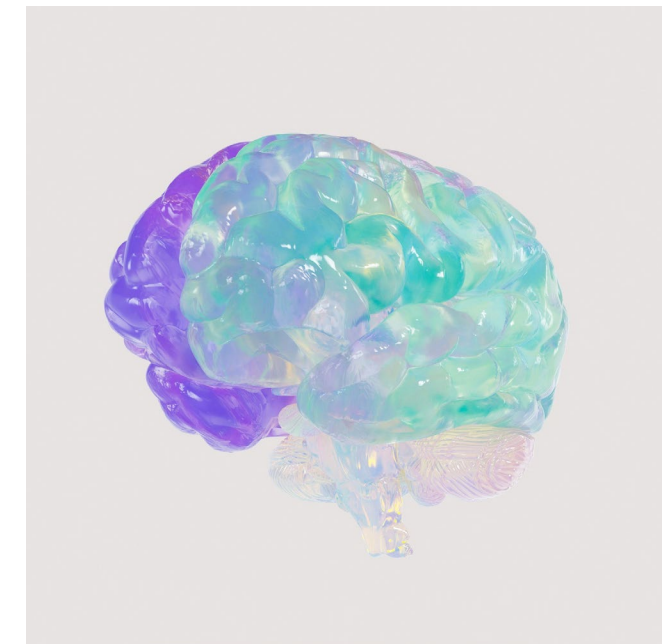


Photo by [Maxim Berg](#) on [Unsplash](#)

Speed Ethics

1. For those in person, form two circles- an inner circle and an outer circle
2. When the facilitator says go, the person in the inner circle has one minute to answer the question posed and provide rationale for their answer. When the first person finishes their answer, the person in the outer circle has one minute to answer the same question and provide rationale for their answer.
3. When the facilitator calls time, everyone takes one step to the left.
4. For those attending virtually, prepare answers to the questions asked as if you were going to have this discussion with a colleague.



Speed Ethics Questions

- The most unethical action I have ever witnessed at work is...
- A decision that was the right thing to do, and yet bad for business is...
- I was able to stop an unethical decision from happening by...
- An ethical decision I really admire is...
- The most ethical person I can think of is ...
- I have an ethical decision-making framework that consists of...
- An unethical decision I still think about is...
- Good leaders make unethical decision when...
- Ethical decisions are simple/ complex because...
- Our organization's business ethics are demonstrated through...

A Little Homework

1. Identify 1-2 workplace situations that could lead to you making a decision between acting in an ethical manner and being compliant with a law, policy, etc.
2. Write a personal code of ethics that guides your behavior and decision-making. Talk about your reflections with your supervisor or a colleague.

Consider the following:

1. What do you need to consider when faced with an ethics versus compliance decision?
2. What are the most important ethical considerations in your position?

Wrapping Up

Takeaways from a conversation on August 3, 2023 with Dr. Kathy Meier - Hellstern, Google's Director of the Responsible AI Department:

- The responsibility to develop, program, and implement appropriate AI uses lies solely with human beings.
- As human beings, we bring our thoughts, knowledge, perceptions, and feelings with us into whatever context we encounter.
- Context is critical to assimilating new knowledge for people, especially adults and determines how we will act using that knowledge in the future.
- Bottom line? If we want generative AI to be used ethically and responsibly, it is us to us as human beings to program generative AI models to do so.

Wrapping Up

Compare Dr. Meier-Hellstern's perspective with this one:

AI can be used as a tool to assist in determining ethical behavior, but the determination of what is ethical ultimately relies on human judgment and values. AI systems can be programmed to follow ethical guidelines or principles, and they can be used to analyze complex ethical dilemmas and provide insights. However, AI lacks the ability to make inherently ethical judgments without human input. It can only process information based on the data and instructions it has been given.

The quote's author?

ChatGPT

Wrapping Up

Questions?

For additional information on the Business Ethics Alliance, please visit our website at www.businessethicsalliance.org or contact me at amarlier@businessethicsalliance.org



Other Resources

Bazerman, M.H. (2020). A new model of ethical leadership. *Harvard Business Review*.

<https://hbr.org/2020/09/a-new-model-for-ethical-leadership>

Sull, C. Sull, D. (2024, February 12). Two experts predict AI will transform companies' understanding of themselves.

Economist.

<https://www.economist.com/by-invitation/2024/02/12/two-experts-predict-ai-will-transform-companies-understanding-of-themselves>

Society of Corporate Compliance and Ethics <https://www.corporatecompliance.org/>

Weinstein, B. (2019). What's the difference between compliance and ethics? *Forbes*.

<https://www.forbes.com/sites/bruceweinstein/2019/05/09/whats-the-difference-between-compliance-and-ethics/?sh=22cd587a7524>