

Université Paris II Panthéon ASSAS
Magistère Banque et Finance, Mastère Banque et Finance
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MBF3

ETHICS APPLIED TO FINANCE

PROFESSOR

Nathalie COLUMELLI, CFA Nathalie graduated from ESSEC and was a fixed income trader for 16 years at ABN Amro, Société Générale and Deutsche Bank in London, Paris, and Frankfurt. In 2005, she founded Finance Training, a leading company specialized in CFA program training for investment professionals. With her team, she mentors financial professionals working for French banks, insurance companies and mutual funds. She was the Executive director of CFA Society France until May 2022 and has been an active volunteer for the association since then.

PRESENTATION

Excerpt from the Standard of Practice Handbook, CFA Institute, 11th edition

The first decade of the 21st century has experienced many crises for the investment industry. This period has encompassed many instances of unethical behavior by business executives and investment professionals, through Ponzi schemes, insider trading, weak governance, diligence and fraud. Unethical behavior has been highlighted in fields such as investment ratings, financial product packaging and distribution and investment management firms. As markets function to an important extent on trust, each case has resulted in heavy financial losses and stained reputations and lost investors trust.

The CFA Institute Code of Ethics and Standards of Professional Conduct's goal is to set the highest standards for education, integrity, and professional excellence for the ultimate benefit of society. Such standards are critical to maintaining and recovering public's trust in financial markets and in the investment profession.

KEY CONCEPTS

Reference frame and scope: Capital Markets, Financial analysis departments, and Asset management.

Key concepts: law, codes and regulation, professionalism, diligence, fiduciary duties, respect, suitability, fair representation, transparency, conflicts of interest, disclosures, transparency.

LEARNING OBJECTIVES

This course objective is to increase the students' awareness of the importance of ethics.

They will learn, from their own experience, the recent scandals and their short and long term impacts:

- Why it matters to act ethically
- How and why both the very nature of finance added to common irrational human biases may impair one’s capacity to act ethically.
- The major rules and laws that have been enacted to protect consumers and shareholders
- How to increase the odds for sound ethical decision making

Through the analysis of the CFA Institute code of ethics and Standards of Practice Handbook as well as movies and short case studies, the students will:

- Have an overall knowledge of the CFA Institute code of ethics
- Identify the best standards of professionalism and integrity
- Identify unethical behaviors and take appropriate corrective actions
- Adopt and Use a framework for ethical decision-making
- Know approaches to embed ethics in corporate governance organization and strategic decisions

METHOD AND COURSE MATERIAL

Class preparation is critical to success in this course.

Slides are sent to students before the course as well as the reference book, The Code of Ethics and Standards of Practice handbook (full version and summary).

You are expected to:

- Read the CFA Institute Code of Ethics and Standards of Practice handbook (strongly advised for CFA candidates) or the slides before the classes.
- Prepare a personal case distributed on class 1 and returned (Printed) on class 2
- Prepare practice questions distributed on Class 1 in advance of classes 2 and 3 (see below)
- Participate in class debates, discussions & case studies
- Watch movies between the first and the last session (See list on the bibliography section)

<u>Class</u>	<u>Topic</u>	<u>Readings BEFORE class</u>	<u>Assignments BEFORE class</u>
<p>Class 1</p> <p>31/08/2022</p> <p>14h00-17h00</p>	<p>What is Ethics</p> <p>Why it matters</p> <p>Why do financial professionals act unethically?</p> <p>Solutions</p> <p>Ethical decision-making framework</p>	<p>Read slides up to The code of Ethics</p>	
<p>Class 2</p> <p>07/09/2022</p> <p>13h00-17h00</p>	<p>Law, rules and regulation Professionalism & Fiduciary duties</p> <p>Fair Representation</p>	<p>Read up to Slide "Fair dealing standard"</p>	<p>Answer to questions 1 to 21</p>
<p>Class 3</p> <p>21/09/2022</p> <p>14h00-17h00</p>	<p>Conflicts of interest</p> <p>Final Exam: MCQ</p>	<p>Read up to Slide "Referral fees standard"</p>	<p>Answer to questions 22 to 32</p> <p>Governance production in groups to be returned</p>

COURSE STRUCTURE

The overall duration of this seminar, split in 3 classes, is 10 hours.

GRADING

A minimum mark of 10/20 on this seminar is required to validate the course.

Final score = Final exam + Group production. The maximum score is 20.

- The group production rewards 2 points to students who write a (valid) paper and return it **before** the beginning of the last class and 1 point if returned later.
- The Final exam rewards a maximum score of 18 points: No documents are authorized except the 2-page summary of the code (downloaded on the link provided below, see Bibliography).

Please note that it is not possible to get a "make-up" for the final exam, without a very convincing reason. Also, unexcused late work will only be allowed in exceptional circumstances.

BIBLIOGRAPHY AND FILMOGRAPHY

Reference material

- The Standards of practice Handbook, 11th edition, CFA Institute, 2014 and the 2-pages summary can be found under this link : [Download](#)
- Sarah Peck: Investment ethics, 2010, Wiley

Press articles

- Robert Prentice: Ethical decision making, 2007, Financial Analyst Journal
- William Bernstein: Corporate finance and original sin, 2008, Financial Analyst Journal
- Lori Pizzani: Blowing it, 2011, CFA magazine

Movies

- Serpico (Sidney Lumet, 1973)
- Wall Street I, II and money never sleeps (Oliver Stone, 1987, 1988 & 2008)
- Crime and misdemeanors (Woody Allen, 1989)
- The insider (Michael Mann, 1999)
- Rogue Trader (James Dearden, 2000)
- Erin Brokovitch (Steven Soderbergh, 2000)
- Enron, the smartest guys in the room (Alex Gibney, 2005)
- The constant Gardener (Fernando Meirelles, 2005)
- Thank you for smoking (Jason Reitman, 2006)
- The Corporation (Mark Achbar & Jennifer Abbott, 2007)
- Frontline: the warning (Michael Kirk, 2009)
- Let's make money (Erwin Wagenhofer, 2009)
- Capitalism, a love story (Michael Moore, 2009)
- Inside job (Charles Ferguson, 2010)
- The Flaw (David Singleton, 2010)
- Margin Call (J.C. Chandor, 2012)
- The wolf of Wall Street (Martin Scorsese, 2013)
- The big short (Adam McKay, 2015)
- L'outsider (Christophe Barratier, 2016)
- Money Monster (Jodie Foster, 2016)