This is an advanced business ethics course that addresses the ethical challenges in finance. The aim of this course is to understand the ethical issues that arise in the various areas of finance, which include financial markets, financial services, and financial management, and to develop an ability to resolve these issues effectively and responsibly within actual financial practice. Topics include: fairness in financial markets, the rationale for market regulation, duties of agents, fiduciaries, and professionals, conflict of interest, manipulation and fraud, marketing and sales, abusive credit practices, insider trading, financial management, bankruptcy, mergers and acquisitions, and building ethical firm and industry cultures.
COURSE OVERVIEW

That financial activity be conducted ethically is of great importance, not only because of the crucial role that finance plays in the personal, economic, political, and social realms but also because of the opportunities for large financial gains, which may induce individuals and financial firms and institutions to act unethically and cause great harm. Many of the ethical standards and norms in finance are embodied in law and regulation and are enforced by the courts and regulatory bodies. Ethics plays a vital role, however, first, by guiding the formation of law and regulation and, second, by influencing conduct in areas not governed by law and regulation. Business ethics is an important part of the education of any manager, but managers with responsibility in financial markets, financial services or corporate finance are confronted with many ethical issues which are different from those in other areas of business and require specialized understanding and treatment.

COURSE OBJECTIVES AND LEARNING OUTCOMES

The aim of this course is to understand the ethical issues that arise in the various areas of finance and to develop an ability to address and resolve these issues effectively and responsibly. Specifically, the course seeks to enable managers to understand:

- The need for ethics in finance and the role of ethics in financial activity.
- The ethical principles of fairness in market transactions and those that justify the responsibilities and obligations of market actors.
- The ethical principles that apply to the delivery of financial services and the operation of firms in the financial services industry.
- The responsibilities and duties of financial managers in corporations and the ethical principles that apply to corporate financial management.
- The ethical principles that justify corporate governance, including control of the corporation, the responsibilities and duties of corporate officers and directors, and the role of shareholders.
- The means for managing financial firms so as to prevent misconduct and to conduct business ethically.

The course does not seek to impose any particular positions on ethical issues but provides, instead, an opportunity for examining one's own moral convictions and those of others and for exploring how they can be integrated into financial practice.
**REQUIRED READING**

The readings for the course consist of one textbook, John R. Boatright, *Ethics in Finance*, 3rd ed. (Wiley Blackwell, 2014), which is available in the bookstore or any online source, and articles and cases which are available on Study.Net and Sakai.

To access materials from Study.Net, go to [www.study.net](http://www.study.net) and register as a student. Once you are registered with a username and password, you can access the materials as PDF files. (Note that all the files may be downloaded at once in a zip file.) You will pay a fee for the documents, which covers only the royalty charge. Once you pay the fee, you can print the documents or save them to your computer, as you choose. You can also order a packet of the printed material for an additional charge. See the website for ordering information.

**COURSE REQUIREMENTS**

An essay is due for each of the nine class periods after the first one. Instructions for each essay are posted on Sakai, and the essays are to be submitted through Sakai.

Of the nine essays, you may choose any three to submit as graded work. These three graded essays have a maximum length of 4 pages. The other six essays, which have a maximum length of one page, are not graded and are considered as part of participation. Students may elect to submit four essays (but only four), in which case, the best three essays will be calculated in the grade.

The grade for the course is determined as follows: the three essays 60% and participation 40%. The essays and participation are scored numerically in comparison with the work of other students. An explanation of the numerical grades is included in this syllabus.

**CLASS CONDUCT**

Students are expected to attend every class and be prepared to participate actively. Since the course consists of ten three-hour sessions, an absence from even one class involves missing a significant portion of the course. Students are also expected to stay for the whole class period.

It is recognized that students may need to miss a classes or leave early on occasion for good reasons, but such absences should occur only when absolutely necessary. If you cannot attend a class, notice must be given to the instructor by e-mail either before the class period or on the next day after an absence. If it is necessary to leave before the end of class, you must notify the instructor beforehand, either in class or prior by e-mail.

Students are expected to use computers, tablets, phones, and other devices only for classroom purposes. All other uses are inconsiderate to classmates and the instructor and detract from the classroom learning experience. However, students are encouraged to use digital devices to take notes and access course materials and any relevant information.
In all course work, students are expected to observe the School of Business Administration policy on academic integrity, which is appended to this syllabus.

**SCHEDULE**

EF = *Ethics in Finance*, SN = Study.net, and SK = Sakai

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<td>Session 1</td>
<td>Overview of Ethics in Finance</td>
<td>Finance Ethics: An Overview, EF 1-24</td>
<td>Merrill Lynch and the Nigerian Barge Deal [SK]</td>
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<td>A Framework for Ethics, EF 27-40</td>
<td>Conflict on a Trading Floor [SN]</td>
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<td>Conflict of Interests, EF 45-59</td>
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<td>Fairness in Markets, EF 172-182</td>
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<td>Session 4</td>
<td>Ethics and the Investment Industry</td>
<td>Mutual Funds, EF 121-141</td>
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<td>Mortgage Lending, EF 96-107</td>
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<td>September 23</td>
<td>Session 5</td>
<td>Insider and High-Frequency Trading</td>
<td><strong>Insider Trading</strong>, EF 182-189&lt;br&gt;<strong>High-Frequency Trading</strong>, EF 211-217</td>
<td><strong>Martha Stewart: Inside Trader</strong> [SK]&lt;br&gt;<strong>Gerson Lehrman Group: Managing Risks</strong> [SN]</td>
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<td>September 30</td>
<td>Session 6</td>
<td>Hedge Funds and Investor Activism</td>
<td><strong>Relationship Investing</strong>, EF 141-148&lt;br&gt;<strong>The Challenge of Hedge Fund Regulation</strong> [SK]</td>
<td><strong>Shareholder Rights at Cracker Barrel</strong> [SK]&lt;br&gt;<strong>Sovereign Bancorp and Relational Investors</strong> [SN]</td>
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<td>Hostile Takeovers and Shareholder Value</td>
<td><strong>Hostile Takeovers</strong>, EF 189-201&lt;br&gt;<strong>The Objective of the Firm</strong>, EF 224-234&lt;br&gt;<strong>How the Cult of Shareholder Value Wrecked American Business</strong> [SK]</td>
<td><strong>Oracle’s Hostile Takeover of PeopleSoft</strong> [SN]</td>
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<td>Bankruptcy and Corporate Governance</td>
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<td><strong>Microfinance</strong>, EF 155-164&lt;br&gt;<strong>Socially Responsible Investing</strong>, EF 148-155</td>
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<td>Managing Risk and Reform</td>
<td><strong>The Ethics of Risk Management</strong>, EF 234-243</td>
<td><strong>JP Morgan: Lessons Learned</strong> [SN]&lt;br&gt;<strong>Barclays and the LIBOR Scandal</strong> [SN]</td>
</tr>
</tbody>
</table>
Sources

Textbook


Readings


Cases

A Conflict-Laden Deal, John R. Boatright.
Barclays and the LIBOR Scandal, Harvard Business School 9-313-075.
Conflict of an Insurance Broker, John R. Boatright.
Conflict on a Trading Floor (A), Harvard Business School 394060.
Good Capital and Better World Books (A), Kellogg School of Management, KEL 526.
JP Morgan: Lessons Learned, Ivey School of Business W12218.
Lehman Brothers: Crisis in Corporate Governance, Case Research Journal, 32 (Winter 2012), 123-144.
Merrill Lynch and the Nigerian Barge Deal, John R. Boatright.
Oracle’s Hostile Takeover of PeopleSoft, Stanford Graduate School of Business CG-4A.
Procter & Gamble versus Bankers Trust, Thunderbird, Garvin School of International Management A06-05-0001.
Selling Equity-Indexed Annuities, American College.
Shareholder Rights at Cracker Barrel, John R. Boatright.
Sovereign Bancorp and Relational Investors, Stanford Graduate School of Business CG-06.
The Sale of Trans Union, John R. Boatright.
UBS and Auction Rate Securities (A), Harvard Business School 209119.
APPENDIX ON GRADING

Grading of Written Work

Three-page papers are graded on a 12-point scale, which does not correspond to a letter grade but is merely used for comparative purposes. The scale reflects student’s performance relative to that of others according to the following standards:

11-12: Superior work that is significantly above the level for most students; only a few papers receive a score in this range.

9-10: Good, solid work that is typical of most students; most papers receive a score in this range.

7-8: Acceptable work that is somewhat below the level of quality for most students; only a few papers receive a score in this range.

6 or less: Work that is significantly deficient and below the level expected in the course; scores in this range are seldom encountered.

One-page papers are not graded. However, a number (either 1 or 0) is assigned in order for the papers to be processed in the Sakai system. The number indicates merely that a paper was submitted and is not included in the calculation of the course grade.

Grading of Participation

A portion of the grade in this course is based on participation, which is scored on a 10-point scale as explained below.

10: One of the best discussants in the class; is always very well prepared and participates actively and constructively in most or all sessions.

9: A moderately active discussant who is generally well prepared and participates with moderate frequency in most or all sessions.

8: An occasional discussant who is usually well prepared and has attended most class sessions, but participates infrequently in discussion.

7: A rarely active discussant who seldom participates in class discussion but is usually well prepared and has attended class regularly.

6: An inactive discussant who seldom or never participates in class discussion and/or has not attended regularly.
Quinlan School of Business Policy on Academic Integrity

The basic commitment of a university is to search for and to communicate the truth as it is honestly perceived. Faculty, staff and students of the School of Business Administration are called upon to know, to respect and to practice this standard of personal honesty. All members of the School of Business Administration shall refrain from academic dishonesty and misconduct in all forms, including plagiarism, cheating, misrepresentation, fabrication and falsification.

Plagiarism is a serious violation of this standard. Plagiarism is the appropriation for gain of ideas, language, or work of another without sufficient public acknowledgement that the material is not one's own. Plagiarism involves deliberate taking and use of specific words and ideas of others without proper acknowledgement of the sources.

Cheating is attempting to gain an unfair advantage while taking a test or submitting other work. Cheating includes, but is not limited to, copying from others during exams, bringing unauthorized material to an exam, sharing previous exams without instructor permission, changing answers after the test is completed and sharing exam questions and answers with students who have yet to take the test.

Plagiarism or cheating on the part of the student in individual or group academic work or in examination behavior will result minimally in the instructor assigning the grade of "F" for the assignment or examination. In addition, all instances of academic dishonesty must be reported to the chairperson of the department involved. The chairperson or dean may constitute a hearing board to consider the imposition of sanctions in addition to those imposed by the instructor, including a recommendation of expulsion, depending upon the seriousness of the misconduct. Students may confidentially report observed instances of academic dishonesty to the instructor, chairperson or dean. Instances of faculty misconduct should be reported to the department chair or dean.