

Mendoza College of Business  
University of Notre Dame

Prof. Georges Enderle  
Room 393B; Phone 5595  
Email: genderle@nd.edu  
Office Hours: At your request

Fall 2019

## **MGTO 60715: ETHICS IN FINANCE AND BANKING**

August 27 to October 8  
Tuesday and Thursday at 3:00 pm - 4:50 pm in Room 159

### **Fundamental Task of Business Ethics**

In this course business ethics is understood in a comprehensive and differentiated sense, as it has evolved in recent years under the influence of globalization. Accordingly, its fundamental task is *to enhance the ethical quality of decision making and taking action at all levels of business*: at the personal (micro-), organizational (meso-), and systemic (macro-) levels. Therefore, we will discuss ethical challenges for individuals (for example, societal responsibility of the saver), ethical responsibilities of organizations (for example, institutional investors), and ethical issues of systems (for example, regulating the financial system). The article “Confidence in the financial reporting system” (CP) demonstrates the relevance of the three levels and their interrelatedness.

### **Course Description**

This 2-credit course builds on the previous course “Foundations of Ethical Business Conduct” and focuses on the ethics in finance and banking. It uses the structure of the textbook *Ethics and Responsibility in Finance* (2017) and covers the following topic areas:

- Why does finance need ethics?
- Defining finance against the backdrop of the global financial crisis and financialization
- A deeper understanding of ethics and responsibility
- Ethical dilemmas of the fund holders: savers and rentiers
- Ethical dilemmas of the fund users: public and private debtors and investors
- Ethical dilemmas in financial intermediation
- New avenues for action

The course is conducted in seminar-style: thorough preparation of readings, personal reflections and presentations, watching of film scenes and videos, extensive class interactions and conversations.

## **The Objectives**

- Arguing for the need of ethics in finance.
- Understanding and learning from the global financial crisis.
- Examining financialization.
- Defining ethics and responsibility and their applications.
- Identifying ethical dilemmas in different roles in the financial system: savers and rentiers, debtors and investors, and various intermediaries.
- Familiarizing yourself with CFA standards.
- Evaluating Notre Dame's investment policy from an ethical perspective.
- Exploring new avenues for action.

## **Assignments (explanations see below)**

- Required readings to be completed prior to each session.
- Written reflections on textbook sections.
- Research paper of 12-15 pages by two students.
- Attendance of and note on one of the Berges Lectures on September 11 and 26.

## **Grading**

The final grade will be computed on the basis of active class participation (including the use of required readings: 20 %), written reflections (25 %), the lecture note (15 %) and the research paper (40 %).

## **Remember the Honor Code Pledge**

Notre Dame students are expected to abide by the Academic Code of Honor Pledge. "As a member of the Notre Dame community, I will not participate in or tolerate academic dishonesty."

## **Policy for the Use of "Technology" by Students**

An important goal of the course is life interaction between teacher and students. Therefore, the use of "technology" by students must serve this goal and should be reduced to a minimum.

## **Readings**

Textbook: Paul H. Dembinski. 2017. *Ethics and Responsibility in Finance*. New York: Routledge. Hard copies can be bought with 20 % discount from the instructor.

Course Packet MGTO 60715 (referred to as CP) is accessible on Sakai.

Including: M. Stüttgen. 2019. *Ethical Investing. Opportunities and Challenges of Morally Justified Investments*. Manuscript.

## Explanations of Assignments

Required readings are indicated for each session.

### Written reflections

The textbook *Ethics and Responsibility in Finance* is concise and dense and therefore requires careful reading. The assignment consists of 1-page type-written reflections on each of the eight textbook sections (see class schedule). The questions to answer are: (1) What are the main points in this section (about 1/3 page)? (2) What are your three take-aways (about 2/3 page)?

### Lecture paper

Attendance of and note on one of the Berges Lectures on September 11 and 26 at 7:00 pm in the Jordan Auditorium. The note is approximately two pages long (800 words, with word count). On the first page, you report on two or three important issues you select from the lecture (like a journalist who wants to inform the readers about these issues in an objective way). On the second page, you share your personal reflections on those issues (like the editorial comment in a newspaper). The note is due by October 1.

### Research paper

The paper, written by two students, is about 12-15 pages (i.e., 4,200 to 5,250 words) long and deals with a freely chosen topic. A draft of about half a page (200 words) including title, structure and main references is to be submitted to the instructor by September 12. The final paper is due by October 8.

The research paper requires major efforts. It should include a “business” dimension, an “international” dimension and an “ethical” dimension, and will be evaluated according to *the following criteria*:

1. Choice and precise identification of topic (problem)
2. Problem addressed
3. Clear concepts
4. Consistent structure of the paper
5. Personal view, experience
6. Reference to literature
7. Reasoning
8. Recommendations

## Class Schedule

---

- August 27: Introduction and Overview - The Role of Ethics in Finance:  
Video: [www.imf.org/external/mmedia/view.aspx?vid=4501675784001](http://www.imf.org/external/mmedia/view.aspx?vid=4501675784001)  
Speakers: Christine Lagarde (Managing Director IMF)  
Justin Welby (Archbishop of Canterbury)  
Panel: Sarah Dahlgren (Fed New York), Sally Dewar (JP Morgan), Lee Buchheit (Cleary Gottlieb), Paul Dembinski (Fondation Observatoire de la Finance)
- August 29: Why Does Finance Need Ethics?  
Readings: P. Dembinski: pp. 1-7  
L. Zingalis: Does finance benefit society? *The Journal of Finance*, 70:4, August 2015, reading on pages 1327-1351
- September 3: Finance – an Update:  
Readings: Dembinski: pp. 8-17  
G. Enderle: The context of globalization, sustainability, and financialization (CP)  
Film: *Inside Job*: Part III: The crisis  
Videos: S. Johnson: Financial service industry has become far too big.  
S. Das: Iceland’s wrong belief that the financial service industry drives the economy
- September 5: Ethics and Responsibility – an Update:  
Readings: Dembinski: pp. 17-26  
Enderle: Confidence in the financial reporting system: Easier to lose than to restore (CP)  
R. Audi: A framework for making ethical decisions (CP)
- September 10: The Fund Holder’s Ethical Dilemmas: Savers and *Rentiers* (I):  
Readings: Dembinski: pp. 27-34  
Enderle: A rich concept of wealth creation beyond profit maximization and adding value, *Journal of Business Ethics*, 2009, 84, 281-295
- September 11: Berges Lecture in the Jordan Auditorium at 7:00 pm  
Speaker: Kathleen Schulz, Wellbeing & Engagement Practice Leader at Arthur J. Gallagher & Co.  
Topic: Ethics and Wellbeing

September 12: The Fund Holder's Ethical Dilemmas: Savers and *Rentiers* (II):

Readings: Dembinski: pp. 34-39  
Dembinski et al.: The ethical foundations of responsible investment, *Journal of Business Ethics*, 2003, 48, 203-213

Submitting draft of research paper

September 17: The Ethical Dilemmas Facing Fund Users: Public and Private Debtors and Investors (I)

Readings: Dembinski: pp. 40-47  
M. Yunus: The micro-credit movement: Experiences and perspectives (CP)  
M. Stüttgen: Ethical investing – what does it mean? (CP, pp. 2-10)

September 19: The Ethical Dilemmas Facing Fund Users: Public and Private Debtors and Investors (II)

Readings: Dembinski: pp. 47-52  
Principles for Responsible Investing: A Blueprint for Responsible Investment (CP)  
Video: Principles for Responsible Investing: A Blueprint for Responsible Investment  
See: [www.unpri.org](http://www.unpri.org)  
Stüttgen: Considerations by the investor (CP, pp. 68-81)

September 24: Challenges and Opportunities for Ethical Investing of the Catholic University of Notre Dame

Speaker: Mark C. Krcmaric, J.D., Managing Director & Chief Officer, University of Notre Dame Investment Office

September 26: Ethical Dilemmas in Financial Intermediation (I):

Reading: Dembinski: pp. 53-64  
Videos: E. Spitzer: Importance of fiduciary duty  
S. Das: Mindset of investment bankers  
J. Fons: Employees' mindset at Moody's  
Readings: CFA Institute Code of Ethics (CP)  
CFA Institute Cases (CP)  
See: [www.cfainstitute.org](http://www.cfainstitute.org)

September 26: Berges Lecture in the Jordan Auditorium at 7:00 pm

Speakers: Rachel Fichter, Vice President of Talent at S&P Global  
Ellen Hunt, Senior Vice President of Audit, Ethics & Compliance at AARP  
Topic: Reflections on the future of ethical leadership in business

- October 1: Ethical Dilemmas in Financial Intermediation (II):  
Film: *The Big Short*: Identifying the ethical dilemmas  
Reading: Group of 30: Banking conduct and culture – Executive Summary on pages 11-16 (CP)
- October 3: New Venues for Action:  
Readings: Dembinski: pp. 65-73  
Video: <http://www.ethicsinfinance.org/2016-2017/award-ceremony-of-the-6th-edition/>  
Speaker: A. Gurría (OECD Secretary-General, Paris)
- October 8: Conclusion  
Reading: Stüttgen: Opportunities and challenges of ethical investing (CP, pp. 82-90)

Research paper presentations  
Submission of research papers