

## CFA Societies Florida Ethics Invitational - Fall 2023 Case Study

Sarah, a CFA charterholder, is a dedicated and highly regarded financial analyst at a prominent investment firm. Sarah's firm recently adopted a cutting-edge generative AI system that can produce detailed investment reports in a fraction of the time it would take for a human analyst to do so. The AI system uses advanced natural language processing to analyze market data, company reports, news, and other relevant information.

Sarah and her colleagues love the time-saving efficiency of the new AI system, but after several months of interacting with the system Sarah recognizes some potential problems:

- The AI-generated reports appear to prioritize recommendations that benefit the firm over other types of investments.
- The AI occasionally disseminates misleading information which, if incorporated into research without additional due diligence, could impact market pricing.
- The AI occasionally draws on nonpublic data sources without proper authorization.
- With the introduction of AI into the workflow, Sarah's firm expects its analysts to produce far more research than it did before. As a result, Sarah has become overly reliant on the AI-generated reports and is less able to conduct the independent research and analysis she did before.
- Despite the idiosyncrasies of the AI system, Sarah's compensation is tied to the performance of the investment products she recommends.

#### **Discussion Points:**

- How might Sarah's use of Al-generated reports violate the CFA Institute's Code of Ethics and Standards of Professional Conduct?
- How should Sarah balance the speed and efficiency offered by AI with the need for independent research and analysis?
- What steps can Sarah's firm take to ensure that the AI system adheres to ethical principles and standards in financial analysis?
- Should Sarah report her concerns about the AI system to her superiors or regulatory authorities?
- What are the potential consequences for Sarah and the firm if the issues around their use of AI generated research are discovered?



# What makes businesses and financial markets thrive? How do we earn investor confidence?

#### Trust.

Trust can only be built through ethical behavior and an industry-wide commitment to values like transparency, integrity, candor, and putting investors first.

Since its origin, CFA Institute has championed ethics in the investment profession, setting the highest possible ethical standards for professionals around the globe.

Ethical behavior goes beyond simply following laws and established rules. It's about knowing how to navigate ambiguous ethical situations and putting the interests of investors first when the rules are unclear.

## It is not a matter of if, but when.

The Ethics Invitational is designed to help prepare the next generation of investment professionals to face real-world ethical dilemmas by raising their awareness of professional ethics, with emphasis on the CFA Institute's Code of Ethics and Professionals Standards. It provides an opportunity for teams to develop and exercise ethical decision-making skills.



CFA Society Tampa Bay, in collaboration with the other CFA Societies throughout Florida, works with universities to assemble teams of three (3) to four (4) undergraduate and or graduate students. Teams are given a case and must prepare a 5-minute video that demonstrates understanding and application of ethical concepts to a professional situation.

Teams advancing to the final round will participate in a live question and answer session with the panel of judges.

## **Benefits of Participation**

- Showcase your university of a statewide scale
- Augment classroom learning
- Give students practical training with ethical issues
- Network with professionals, peers from other universities and others in the community
- Elevate your school's reputation and standing against competing schools

## How can I get involved?

You can organize a team to represent your university or college. Promote the event to your students, help them prepare to participate, and field your best team.

## **How the Invitational Works**

## Who is eligible to compete?

- Both undergraduate and graduate students who have not previously participated in a CFA Society Tampa Bay Ethics Invitational are eligible to compete.
- Teams must be sponsored by a university located within the State of Florida. Only one (1) team may represent a university, or, if a university has multiple campuses, only one team per campus.

## An individual is ineligible to be a team member if that individual:

- Has been, or is, a CFA® charterholder.
- Is under investigation or has been sanctioned by the CFA Institute Professional Conduct Program.
- Has previously participated in the CFA Society Tampa Bay Ethics Invitational.

## How many team members?

- Three (3) to four (4). Teams may consist of undergraduate, graduate, or a combination of undergraduate and graduate students.
- No alternates. If a team loses one of its members, that member can be replaced no later than two weeks prior to the video submission deadline.
- If a team falls below three registered members after this date, they will not be eligible to continue in the Invitational.





## Round 1 – Preliminary (Video Submission)

- Case released to faculty advisor.
- Attend an Ethics Invitational briefing.
- Work with assigned Industry mentor.
- Prepare a video submission. 5-minute minimum. 6-minute maximum.
- Await the judges' decision. Top four (4) teams advance to Round 2.

## Round 2 – Finals (Statewide In-Person or Virtual Event)

- Prepare for Q & A with judges.
- Technical rehearsal.
- On the Hot Seat: 5-minute Q&A with Judges.
- Await the final decision.
- Celebrate your accomplishments and experience regardless of outcome.

## **Important Dates**

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Sept 6 - 12, 2023	Universities inform CFA Society Tampa Bay of intent to particiate by sending an email to <a href="https://creativecommons.org">CFA@CFATampaBay.org</a>
Sept 12, 2023 11:00 AM	Invitational Kickoff with virtual meeting for Faculty Advisors and Team Members. Ethics Invitational Case will be distributed to registered universities.  Register
Sept 14, 2023 12:00 PM	Repeat of virtual meeting for Faculty Advisors and Team Members  Register
Sept 15, 2023	Team registration deadline by 5:00 PM (ET)
Sept 18, 2023	Assignment of Industry Mentors
Oct 23, 2023	5-minute video submissions due by 5:00 PM (ET)
Oct 30, 2023	Finalists announced
Nov 1 - 6, 2023	Technical rehearsals for finalists
Nov 7, 2023	Ethics Invitational Final Round (Live Virtual Event)

CFA Society Tampa Bay is committed to creating a welcoming and safe environment for the Ethics Invitational where fairness, opportunity, and trust exist, allowing teams to leverage the diverse talents and perspectives of their participants. Participants in the Ethics Invitational are ambassadors of their university and CFA Society Tampa Bay. Actions in their professional and personal lives should reflect positively on CFA Society Tampa Bay, the Ethics Invitational, and the participant's university.

#### **RULE 1: GENERAL PROVISIONS**

#### 1.1 Conflicts of Interest

All participants in the Ethics Invitational, including members, industry mentors, faculty advisors, and judges have an obligation to avoid actual or potential conflicts of interest with their participation. A conflict of interest is any matter that could reasonably be expected to impair an individual's independence and objectivity or interfere with an individual's duties. A conflict may be actual or perceived.

To avoid any actual or perceived conflicts of interest, judges must further disclose any close personal or professional relationship with team members, mentors, or faculty advisors. Potential conflicts of interest must be disclosed promptly upon becoming aware of the potential conflict.

CFA Society Tampa Bay will investigate any disclosures of actual or potential conflicts of interest. If a conflict of interest is found to exist and cannot be reasonably and timely cured, the individual with the conflict of interest will be disqualified from participation. The decision of CFA Society Tampa Bay regarding the existence of a conflict of interest and its determination regarding the disqualification of any individual or team are final and binding.

Professions can only exist within an industry when those acting with transparency, integrity, candor, and trust reach a critical mass.

#### 1.2 Participant Information

Each participant agrees that CFA Society Tampa Bay shall have the right to use such individual's name, voice, photograph, likeness, their appearance in any medium or forum anywhere in the world (including online) without further compensation, unless prohibited by law.

#### 1.3 Program or Event Modifications

If, for reasons beyond the control of CFA Society Tampa Bay, such as labor strikes, Acts of God, natural disaster, government travel restrictions, health crises, judicial orders, fire or other casualty, civil commotion, terrorism or threats of terrorism, outbreak of disease or illness, the program and/or event format may need to be modified or, in extreme cases, cancelled.

#### **RULE 2: TEAMS**

#### 2.1 Team Composition

Teams must be sponsored by a university located within the State of Florida. Only one (1) team may represent a university, or, if a university has multiple campuses, only one team per campus.

#### Each team:

- a. may consist of undergraduate, graduate, or a combination of undergraduate and graduate students;
- b. should consist of no fewer than three (3) and no more than four (4) members;
- c. is encouraged to strive for diversity in selecting its members;
- d. can have no alternates. If a team loses one of its members, that member can be replaced no later than two weeks prior to the video submission deadline. If a team falls below three registered members after this date, they will not be eligible to continue in the Invitational.



#### 2.2 Team Member Requirements

Each team member must:

- a. complete the official registration by the deadline (5:00 PM (ET) on September 15, 2023);
- b. accept the terms of the participation agreement upon registration;
- c. agree to abide by the CFA Institute Code of Ethics and Standards of Professional Conduct;
- d. be currently enrolled at the same university campus as a graduate or undergraduate in the college of business;
- e. be currently enrolled at the participating university as a full or part-time student.

#### 2.3 Team Member Ineligibility

An individual is ineligible to be a team member if that individual:

- a. has been, or is, a CFA® charterholder;
- b. is under investigation or has been sanctioned by the CFA Institute Professional Conduct Program;
- c. has previously participated as a team member in the CFA Society Tampa Bay Ethics Invitational.

## RULE 3: FACULTY ADVISOR, INDUSTRY MENTOR, JUDGES, PRESENTATION COACHES, AUDIO VISUAL ASSISTANCE

#### 3.1 Faculty Advisor | Professor

- a. Each team is required to have a faculty advisor professor from their university to guide them.
- b. The faculty advisor professor is the main point of contact for the Society.
- c. The faculty advisor professor may guide the team and assist in its preparation prior to the Invitational.
- d. At the Invitational, the role of the advisor professor will be to show support for their team.

#### 3.2 Time Permitted with Faculty Advisor | Professor

**Preliminary Round:** Teams are permitted to use a faculty advisor | professor on substantive matters for up to 10 hours prior to submitting their Preliminary Round video. Logistics, such as arranging meeting space and times and class attendance, does not count toward the time limit.

**Final Round:** To help prepare for the question-and-answer period with the judges, teams may consult with their faculty advisor professor for a total of 30 minutes.

#### 3.3 Industry Mentor

Teams will be provided one industry mentor.

- a. The industry mentor will be selected by the Ethics Invitational Committee.
- b. The industry mentor must accept the terms of the participation agreement upon registration.
- c. The industry mentor must agree to abide by the CFA Institute Code of Ethics and Standards of Professional Conduct.
- d. The role of the industry mentor is to provide a "real world" perspective of ethical dilemmas presented in the case.
- e. Students may not receive assistance from additional finance industry professionals.
- f. It is recommended that industry mentors be CFA charterholders.

#### 3.4 Time Permitted with Industry Mentor

**Preliminary Round:** Teams may consult with their mentor on substantive matters, for a total of 60 minutes prior to submitting the 5-minute video entry. The industry mentor may not be part of the team presentation. Failure to abide by these time limits will result in the team's and the industry mentor's disqualification from the CFA Society Tampa Bay Ethics Invitational.

**Final Round:** To help prepare for the question-and-answer period with the judges, teams may consult with their mentor for a total of 30 minutes.



#### 3.5 Judges

- a. The judges will be selected by the Ethics Invitational Committee.
- b. The judges will be CFA charterholders.
- c. Judges will independently evaluate each presentation.
- d. Judges must accept the terms of the participation agreement upon registration.
- e. Judges must agree to abide by the CFA Institute Code of Ethics and Standards of Professional Conduct.

#### 3.6 Presentation | Public Speaking Coaches

Teams are permitted to use presentation delivery coaches to help them improve their public speaking and presentation skills. This coach may not be part of the team presentation or contribute to the content of the presentation. Failure to abide by these time limits will result in the team's disqualification from the CFA Society Tampa Bay Ethics Invitational.

#### 3.7 Audio | Visual Assistance

Teams are permitted to use assistance in creating an effective video presentation to help support their analysis and recommendations. The A|V specialists may not be part of the team presentation or contribute to the content of the video. Failure to abide by these time limits will result in the team's disqualification from the CFA Society Tampa Bay Ethics Invitational.

#### **RULE 4: SCORING**

#### Round 1 – Preliminary (5-minute video submission)

- a. 100% of the scoring is based on each team's presentation.
- The judge's decision will be based on its assessment of each team's analysis, recommendations, presentation, and addressing possible ethical issues beyond CFA Institute's Code of Ethics & Standards of Professional Conduct.
- c. Judges' decisions are final.

#### Round 2 - Finals (Live Q&A with judges)

- a. Scores from Round 1 will carry over to the final round.
- b. Up to 100 points will be awarded to teams based on the quality of each team's responses to the question(s) posed by the judge(s).
- c. Scores from Round 1 and 2 will be combined to determine the overall champion.
- d. Judges' decisions are final.

#### **RULE 5: INVITATIONAL FORMAT**

#### 5.1 Preliminary Round: Video Submission

Using the supplied case, each team will submit a video analysis of the case.

a. Only student team members may participate in the presentation. Subject to the limitations of these rules, teams are free to structure their presentations as they wish. However, each team member must participate in the presentation.



- b. To help prepare for the video submission, teams may utilize presentation coaches, public-speaking resources, and video production professionals, providing those resources do not contribute to the content of the presentation.
- c. The video submission must be at minimum 5-minutes in length, but no longer than 6-minutes.
- d. Videos must be submitted in mp4 format.
- e. Save your video file as "University Name".
- f. Deadline for submission is by 5:00 PM (EST) on October 25, 2023.
- g. Finalists will be announced on October 30, 2023.

#### 5.2 Final Round: In-person or virtual

Based upon the supplied case and elements of the team's video presentation.

- a. Each team will have a 5-minute Question & Answer period with the judges.
- b. Only student team members may participate in the Question & Answer session.
- c. The judges may conclude the question and answer period prior to the 5-minute maximum time. ONLY judges are permitted to ask questions.

Awards will be presented at an event on November 7, 2023.

## Required Reading: Just the starting point

CFA Institute's Code of Ethics and Standards of Professional Conduct https://www.cfainstitute.org/en/ethics-standards

More about the Code of Ethics and Standards of Professional Conduct <a href="https://www.cfainstitute.org/en/ethics-standards/ethics/ethical-decision-making">https://www.cfainstitute.org/en/ethics-standards/ethics/ethical-decision-making</a>

Additional resources about CFA Institute's Code of Ethics and Standards of Professional Conduct are available by using the hyperlinks reference above. We encourage you to explore those resources.

#### **Contact Information**

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