Question 1 400 words

Discuss why it is important to identify barriers to ethical decision-making. In your answer, include two (2) brief examples of how identifying these barriers can assist financial advisers in their decision-making when providing financial advice to clients.

Rubric: • a comprehensive definition of a barrier and how it impacts ethical decision-making. • includes brief examples of how identifying specific barriers can assist financial advisers in decision-making. • evidence of relevant, independent, supporting research

Identifying barriers to ethical decision-making is crucial for financial advisers as it enables them to navigate complex ethical dilemmas effectively and ensure the best outcomes for their clients. A barrier in this context refers to any factor that hinders or obstructs the ability of financial advisers to make ethical decisions. These barriers can arise from various sources, including cognitive biases, organisational culture, and power differentials in professional relationships. (Topic 1: Pg 1.7-1.18)

One significant barrier is implicit or unconscious bias, leading to skewed perceptions and judgments based on stereotypes or prejudices. By recognising and addressing these biases, financial advisers can avoid making decisions that unfairly disadvantage specific clients. For example, suppose a financial adviser becomes aware of their unconscious bias favouring clients from a particular socioeconomic background. In that case, they can mitigate this bias by impartially objectively evaluating each client's needs and circumstances. Another barrier is rationalisation, where individuals justify unethical behaviour to themselves through invented explanations or excuses. Financial advisers can identify and challenge their justifications for dishonest actions by understanding how rationalisations work. For instance, if a financial adviser catches themselves rationalising a decision that prioritises their interests over the client's, they can pause and reconsider their motivations to ensure they act in the client's best interests.

The literature demonstrates the value of impediment detection concerning ethical decision-making in the context of financial advice. Examples of research could be the work by Wasserstrom (1975) and Australian Industry Group (2021), showing how power politics and unconscious bias can affect people's ethical conduct in the workplace. Additionally, the study titled "Organizational Culture Drives Ethical Behavior: The article "Impact of Organizational Culture on Ethical Decision Making" highlights the importance of organisational culture in the decision-making process, which is ethical. Financial advisers should understand barriers to ethical decision-making. Identifying barriers which are possible to influence ethical decision-making is a necessity for financial advisers. One mentioned situation targets unconscious bias, for instance, the tendency to show clients from certain social classes more attention and respect. The provided example is creating observations and testing specific words instead of phrases and expressions. This might be, for example, where, instead of the advisor rationalising the decision that entirely benefits them and is against the interest of their client, they may have to ask for a second opinion from their professional colleagues. Studies highlight the significance of standing up to these obstacles and how they severely impact decision-making.

<https://docslib.org/doc/3486195/organizational-culture-drives-ethical-behaviour-evidence-from-pilot-studies>

Question 2 (300 words)

Using an ethical framework or theory (consequentialist, duty or virtue) and the facts presented in the case study, discuss ethical considerations for Rory in taking Darcy on as a client.

Rubric: • comprehensive definition and discussion of chosen ethical theory or framework • well-argued rationale for whether the adviser’s conduct and dealings with the client were ethical, with reference to an ethical theory or framework • evidence of relevant, independent supporting research

Amid the ethical considerations of Rory for working with Darcy as a client, the duty framework proves to be a helpful theory. It also focuses on understanding, execution and compliance with moral obligations, which means that consistent and equal principles will be applied to every party. (Topic 2 Pg 1.23)

As described by the duty framework, Rory must perform his duties by communicating the relevant advice and implications concerning Darcy's financial goals and present circumstances. In performing his responsibilities as an investment adviser, Rory is also bound by a code of conduct and requires diligence, honesty, loyalty and integrity, without which trust will disappear. Moreover, due to the binding regulations and the Code of Ethics, Rory must ensure that fairness is the guiding principle for his work with clients: transparency, fairness, and compliance with professional guides. Further, ethical considerations form an integral part of the duty framework, and they help to protect the trust and integrity of the financial advice sector. In this situation, Rory observes his moral responsibilities and, as stated by Beaton, promotes the honour that the profession carries. Beaton indicates that professionalism is critical for building public trust, accountability, and ethical practice at work.

Based on the information, for Rory, there are a few ethical issues connected with his dating Darcy and the possible avoidable conflicts of interest that can occur. As Rory, he must be on guard against undue influence of his feelings to his financial advising duties, remaining objective, impartial and professional as possible, rather than be inclined by his feelings. Ethics of the duty framework is an ideal starting point for Rory as he evaluates the power dynamics of the relationship between him and Darcy and tries to do the right thing as a financial adviser. By concentrating on his duties to morals and observing professional ethics, he can guarantee the ethics of the conduct and keep up the trust and respect of his clients and society in general.

Why professionalism is still relevant George Beaton January 2010 <https://professions.org.au/what-is-a-professional/>

**Question 3** (150 words)

Briefly define motivated blindness and discuss how it may have influenced Rory’s ethical decision-making and how this blind spot could have been avoided.

Rubric: a correct, clear and concise definition of motivated blindness and how this may have influenced the adviser’s ethical decision-making • valid suggestion as to how the blind spot could have been avoided • evidence of relevant, independent supporting research

Ethical blindness, as pointed out by Bazerman and Tenbrunsel (2011), is when people tend to overlook unethical conduct to gain the benefit of being ignorant. (Topic 1 pg 1.14) Rory's relation with Darcy and potential conflict of interest may have biased his ethical judgment in this case. Rory's aspiration to preserve his relationship with Darcy and initiate a future relationship with Erin might have prompted him to overlook the importance of specific financial advice procedures despite his awareness of the risks involved. However, Rory can incorporate mechanisms for more reasoned and objective thinking to overcome this limitation. For instance, methods like developing awareness of what drives one, noticing the pain points and reading about cognitive biases, as Fouts (2018) recommended, may have helped Rory see and combat motivated blindness. Rory could have taken a step further by getting an additional set of eyes and an unbiased advisor to help her make an ethically correct decision per the professional standard.

<https://hbr.org/2011/04/ethical-breakdowns#:~:text=Motivated%20Blindness,with%20respect%20to%20unethical%20behavior>.

<https://www.forbes.com/sites/forbescoachescouncil/2018/10/09/overcome-biases-and-blind-spots-in-decision-making/?sh=72ccafce196a>

Question 4 (300 words)

Evaluate and explain, with reference to the case study facts (including those from Question 3) and the relevant legislation, if the financial adviser, Linda, has acted in the client's best interests (Darcy). In your discussion, also comment on whether Rory has worked in the best interests of the financial planning profession.

Rubric: • comprehensive evaluation and explanation of the relevant legislation • comprehensive discussion of whether the adviser acted in the best interests of the client • comprehensive discussion of whether the adviser acted in the best interests of the financial planning profession • evidence of relevant, independent supporting research

Linda's conduct needs to be reviewed regarding the Financial Planners and Advisers Code of Ethics 2019, which states that the minimum requirement for advisers is acting in the best interests of their clients (Standards 2 and 3). In light of her relationship and the nature of the conflict of interest, as Darcy is her future relation, Linda's decision to act as his client becomes reprehensible. Financial advisors shall be fiduciary in serving clients' objectives before their relations and questions of independence (Financial Planners and Advisers Code of Ethics 2019). Moreover, it means that Linda could have endangered Darcy's welfare not by going through the typical formal counselling session but by possibly putting her romantic connection more than his financial weight. (Topic 3 pg 3.24)

Also, Rory’s opinion weighs as much in figuring out whether Linda commits to advance the interest of the financial planning professionals. Rory's failure to address Linda's interests presents a conflict, and ethical lapses may be a practical embodiment of how the profession's integrity and value of moral standards are respected (FSC Guide on Financial Planners and Advisers Code of Ethics Submission 2019). Rory implicitly allows Linda to operate beyond the current standards when he does not confront her to follow professional ethics. Therefore, over time, the industry’s credibility and people’s trust in the profession may be impaired (Ethical Standard Ethical Dilemmas).

To keep the tarnish off the profession and be in sync with the ethics of the Code, both Linda and Rory must see to Darcy’s financial well-being and keep the code of conduct unwaveringly at the forefront of their operation. This implies that one should not engage in conflicts of interest, must strive to remain compliant with regulatory requirements, and should be ready to act on behalf of clients even in situations that involve personal relations (2019 Financial Planners and Advisers Code of Ethics). In this way, they can maintain public confidence in financial planning professions and protect clients’ interests.

https://www.legislation.gov.au/F2019L00117/asmade/text

<https://fsc.org.au/resources-category/submission/2112-fsc-submission-financial-planners-and-advisers-code-of-ethics-2019-guide/file>

Question 5: (450 words)

Existing financial advisers can access an alternative experience pathway (amounting to ten years of relevant experience within a 15-year timeframe) rather than needing to complete formal education requirements. Explain any ethical issues that this experience pathway raises. Discuss, concerning a model for a profession, what you believe will be the likely impact of this alternative pathway on the recognition of financial planning.

Rubric: • comprehensive explanation of ethical issues raised with the experience pathway • comprehensive discussion of a model for a profession and how the experience pathway impacts this model • A compelling view is provided on the experience pathway’s impact on the recognition of financial planning as a profession. • evidence of relevant, independent, supporting research

The other experience pathway is open for practising advisers, giving them as much as ten years of experience in the profession to qualify within a fifteen-year time frame rather than taking the formal education route; however, this raises numerous ethical issues. First, you must identify the problem of insisting on the staff's ability and knowledge. Formal training is designed to guide students through theoretical and practical lessons covering ethics, regulations, and financial planning tools. Experience alone, it follows, can leave gaps in knowledge and limits in acquiring emerging trade standards and efficient practices. This raises a conflict around the advisers’ ability to provide ethically compliant quality advice, as it is required by the FPA Best Practice Standard (FPA Best Practice Standard, 2022). The lessons pathway, therefore, may exacerbate the influence of conflicts of interest and biases. The advisers having long-standing experience within a particular enterprise may become attached to its culture and internal practices, thus restricting their objectivity and independence when presenting to their clients. This could be one cause of implementing biased advice that suits the company and does not correspond with the client's interests at all, which, in turn, could significantly undermine public confidence in the profession's integrity and professionalism (FPA Best Practice Standards, 2022).

On the professional model's side, this separate route disputes the conventional ideas of professionalism by stressing the value of formal education, standardised credentials, and adherence to one's ethical codes of conduct. The public's confidence in the financial planning profession is essentially made out of learning the correct way and acting with ethics. Creating an alternative and experience-based pathway may result in the dilution of the earlier-set standards and disintegration of the profession’s good reputation, considering that there are many gaps in competency and ethical conduct among trained personnel (FPA Best Practice Standards, 2022). Not only does this reduce the use of traditional CPA and becoming a professional financial planner, but it may also negatively affect long-term recognition by these professions. Maintaining professionalism means going against the norms of education and training and becoming user- or player-centred. This will make the profession illegitimate in the sight of customers, overseers, and colleagues. There is a greater tendency for financial planning to be challenged on matters of integrity and trust without an enhanced concentration on core tenets of the field such as ethics and high education standards (FPA Best Practice Standards, 2022).

As a supervisory authority, the APRA is a significant player in maintaining the professionalism and stability of the financial planning industry. The role of APRA in keeping up the expected conduct, applying the laws and regulations, and ensuring the protection of consumer rights is critical. Consequently, any other route to employment as a financial planner must be consistent with APRA’s regulatory framework, which aims to safeguard professional conduct and public trust. In conclusion, while the experience pathway gives a choice of becoming a financial planner, it raises significant ethical questions, and in time, the profession's reputation can be unstable. Overlooking not only the rigorous education and training but also the moral standards that should be observed when choosing all the entry pathways is essential to sustaining the integrity and professionalism of financial planning. This function also belongs to the regulatory boards such as APRA, which is what will ensure adherence.

<https://faaa.au/wp-content/uploads/2022/09/FPA-Best-Practice-Standards-September-2022.pdf>

<https://www.apra.gov.au/>

References

Filabi, A., & Bulgarella, C. (2018). Organisational culture drives ethical behaviour: evidence from pilot studies, in *Anti-Corruption & Integrity Forum*.

<https://www.legislation.gov.au/F2019L00117/asmade/text>