Conflict on a trading floor

Economics, Trade

Conflict on a Trading Floor The case describes theethical dilemmaoccurred in FirstAmerica Bank. The sales department of the bank was preparing a 700 mln. USD loan contract for one of the bank's former client: Poseidon Cruise Lines. Poseidon intended to order a large cruise ship for their fleet to a French shipyard, which required a contract to be signed for five years and in French francs. This in turn raised concerns in Poseidon management, related to the possible economic costs/losses related to dollar-franc exchange transaction risks, since the cash flow of Poseidon was in dollars.

The contract elaboration was assigned to Linda, one of the top salespersons of the FirstAmerica bank and the author of article, as an assistant to her. Linda had a reputation of being volatile and hot tempered person, with aggrieve business style. She was particularly known for her prudence in receiving full credit for the good results of closed deals by her. Since Linda had personal relationships with the CFO and treasurer of Poseidon, she proposed to elaborate a structure, which will minimize the Poseidon costs and risks for those transactions.

The elaborated scheme suggested that FirstAmerica provides francs to Poseidon in several tranches and receives the interest rates and loan principal in dollars, thus eliminating Poseidon's franc obligations. In reality the scheme developed by Linda was offering much more profit for the bank and cost for Poseidon, than it was observed in terms of other usual transactions. This resulted in dilemma for the author, since a definite mismatch between his personal values, ethics and his expected behavior occurred.

He knew that this transaction is not the best option for the client and the agreement was obtained in the result of deception from Linda’s side. The dilemma has different dimensions, such as prudential, economic and ethical. The prudential dimension exists, since (1) the author feels him owing to Linda, as she has played a great role in hiring the author by the bank, (2) he has a fear of losing a promising job and (3) he wants to show up as a good employee.

The economic dimension of the dilemma was that he feels responsible for his job duties and wants to ensure good economic indicators for the bank, as well as they both will receive significant bonuses based on the volume of contract. The ethical aspect of the dilemma was that the author didn’t like lying and values honesty and has a fear of negative consequences. The alternatives that the author has are as follows: a) follow Linda and keep silence, b) speak with Linda, but state the problem in terms of consequences, c) refuse to collaborate with Linda, d) inform Poseidon on the problems, and e) inform higher level of management.

By following Linda and keeping silence the author can satisfy his prudential and economic concerns but feel remorse and personal discrepancies in terms of personal ethics. Talking to Linda and stating the problem in terms of consequences can produce positive impact for all dimensions of the problem if she agrees and negative impact for all dimensions if she disagrees. By refusing to collaborate with Linda, the author will satisfy his ethical concerns, but is risking losing his job and sacrificing prudential and economic concerns.

By informing Poseidon on deception the outcomes could be the same as with previous alternative, as well as can face legal concerns in terms of information secrecy. Informing higher level of management will produce a positive impact if the management agrees with the arguments, or will produce negative impact, if the management disagrees. The most important issue to consider, is that if the client learns about deception, then there will be no any positive outcomes from the alternatives, which consider continuation of deception.

The probability of that to happen is very high, since the client was not yet fully convinced and probably will try its investigation further. Taking into consideration all above mentioned, the best solution appears to be speaking to Linda and if necessary to higher level management, but clearly state the possible consequences of the action and not just higher than usual profit of the bank. If the possible consequences are stated properly, there is higher probability of stakeholders to agree with arguments and arrive at the most desired outcome in this situation. If this doesn’t happen, than this bank is not the place to work.