

Corzine business ethics



Questions:

Did Corzine act appropriately? How would you characterize his behavior legally, ethically, and managerially? What other choices did he have?

According to Protes (2017), Corzine was not informed that MF Global had violated the rules until the night that the firm went bankrupt. This event occurred after the transfer of funds had occurred. Corzine was not directly linked by the investigating agency to the missing funds. According to Fisher (n. d.), it was established that Corzine instructed employees to reduce the buffers which served to protect clients' funds. Following the subsequent filing for bankruptcy, approximately \$1.6 billion of clients funds disappeared due to alleged accounting errors and Corzine was fined \$5 million for fund mismanagement. This demonstrates that Corzine acted illegally albeit not necessarily criminally and certainly poorly from both an ethical and managerial perspective.

Did Ms. O'Brien behave appropriately? Realistically, what other choices did she have?

According to Protes (2017), the agency accused Ms O'Brien, of aiding and abetting the misuse of customer money, alleging that she facilitated its use in covering the overdraft in the MF Global accounts. Criminal investigations however, concluded that all MF Global employees did not intentionally break the law. Ms. O'Brien should have been more transparent in her actions and flagged the choices to her manager for decisions to be made rather than performing the actions unsanctioned.

Should the actions of either Corzine or O'Brien (or both or neither) be considered criminally negligent? Unethical? Bad judgment? Other?

According to Bukaty (nd), interfering with customer funds contravenes the Commodity Exchange Act of 1936, as customer funds must be separated from those of the cooperation. MF Global was effectively using customer funds to pay off its creditors-namely the transfer of \$200 million to JP Morgan. According to Gentile (2013), whilst no criminal charges were proven, it can certainly be argued that the actions performed were unethical. From a consequentialist perspective, Individualism states that the action is correct if it causes the highest level of consequential good for the individual.

Likewise, the Common Good approach can be defined as general conditions that are equally advantageous to all and for the same reasons as above, this has not occurred. Utilitarianism states the correct route is that which causes the least amount of suffering. Clearly this has not occurred as the the investors' stake was lost and MF Global collapsed thus from a consequentialist perspective, the actions were unethical. From a non-consequentialist perspective, Deontological theory states that one should act on universal laws of nature that treat humanity in an individual as the end and not the means. The intent contravenes that as they are dishonest. The Rights Approach states that the optimum ethical action is that which protects the rights of individuals affected by the action. The investors funds have been misused making the actions unethical. From the virtue approach which values honesty, MF Global has acted unethically by losing both funds and reputation. In conclusion, consideration of the events by numerous methods

of ethical evaluation demonstrates the actions to be unethical on all tested platforms.

What role should (or might have) the firm's Ethics and Compliance Officer played in this drama?

According to Gentile (2013), the firm's Ethics and Compliance Officer could have prevented the occurrence if a number of measures were put in place and enforced within the policies and procedures of the firm. If employees salaries were related to their performance relative to those policies, then their actions would reflect the firms standards. The instigation of risk rules with appropriate controls would enforce the correct risk reward ratio and finally a clear audit trail of all trading transactions facilitating proper accounting to prevent misuse and misappropriation of funds.

References

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