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The Madoff Affair

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The Madoff Affair

An ethical breach occurs when an individual makes unethical choices in an organization. The breaches of ethics that occurred were in line with transparency and integrity. Transparency involves being open and is revealed through the actions and behaviors of the employees, stakeholders, and high ranking leaders in the company. It is displayed by openness during meetings with clients and interactions within the company. Transparency is crucial in an organization as it ensures the smooth flow of operations through communication. On the other hand, integrity is the act of doing the correct thing even when no one is around, and it is a foundation of building a good character.

In the Madoff affair, Bernie Madoff was responsible for the violation. He created the biggest Ponzi scheme in the financial institution in 2009. He was charged with money laundering, theft, and fraud because he lured investors into his firm by guaranteeing them high returns since he was a financial advisor. Madoff was an active member of the financial industry. Besides, he was on ² National Association of Securities Dealers Automated Quotations (NASDAQ) board, where he advised them on trading securities (Smith & Gaviria, 2009). Bernie Madoff's financial career started in 1960, and his investment company grew over the years due to the high returns it was offering and Bernie's reputation.

In this case, from the documentary, Bernie Madoff was motivated by greed and hunger to accumulate wealth without caring about the investors. He would get new investors and use their money to pay off previous investors. During these transactions, he would pocket the extra money and use it to expand his company. Second, he was motivated by his ambition and desire to quickly accumulate wealth using his scheme, which he never shared how it works. Before becoming a household name, he used Avellino and Bienes to serve as unregistered investment

advisors (Smith & Gaviria, 2009). After the Securities and Exchange Commission (SEC) closed down Avellino and Bienes, Madoff denied working with them even though funds were transferred to his account as Avellino and Bienes were refunding people their money.

Yes, business laws changed as a result of this situation. For starters, ¹Dodd-Frank Act or ³Wall Street Reform and Consumer Protection Act was introduced (Hartch, 2018). The ³Financial Stability Oversight Council (FSOC) was developed under ³the Dodd-Frank Act to keep banks and other financial institutions from becoming too large by imposing strict regulations and breaking up financial firms that pose a risk to the economy. In addition, large banks and financial institutions like insurance companies' activities are monitored to ensure they are well prepared for inevitable recessions that may occur. Second, the Consumer Financial Protection Bureau (CFPB) was formed to shield consumers from risky financial products and investments (Hartch, 2018). It regulates companies that sell financial services and products to customers and enforces the law against consumer finance discrimination. In addition, consumers can now submit complaints to the CFPB, giving the bureau insights into the challenges consumers are going through when accessing any financial service or product. Third, the Dodd-Frank Act formed the Volker Rule, which prevents banks from dealing with suspicious trading activities such as investing in private equity firms. Notably, the rule prevents banks from dealing with property trading, buying or selling securities, and derivatives like credit default swaps. Under the Volker Rule, banks can trade in currency trading only when it is necessary. Lastly, the Dodd-Frank Act enabled the SEC to regulate contracts between two individuals who agree on a financial set of assets and derivatives trading (Hartch, 2018). The trades include market indexes, interest rates, stocks, and bond exchange.

References

Hartch, K. (2018). The Dodd-Frank Act: Policy Analysis.

Smith, M., & Gaviria, M. (2009, May 12). *The Madoff Affair*.

<https://www.pbs.org/wgbh/frontline/film/madoff/>

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