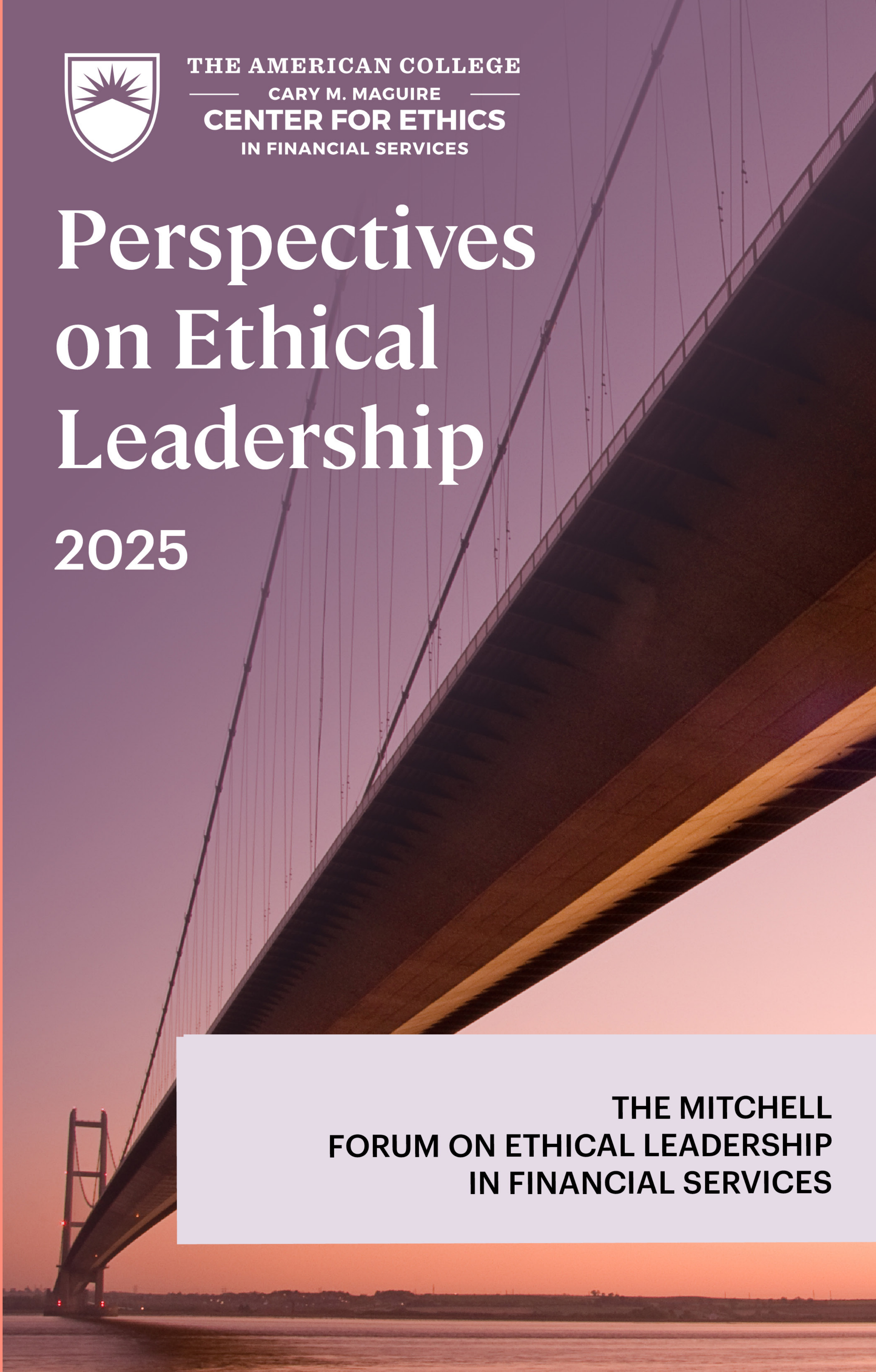
THE AMERICAN COLLEGE
CARY M. MAGUIRE
CENTER FOR ETHICS
IN FINANCIAL SERVICES

Perspectives on Ethical Leadership

2025

Twenty Fourth ANNUAL



THE MITCHELL
FORUM ON ETHICAL LEADERSHIP
IN FINANCIAL SERVICES

Foreward

The American College Cary M. Maguire Center for Ethics in Financial Services aims to elevate ethical standards and drive positive change in the financial services industry. In my fifth year as Managing Director, I'm delighted to share with you our progress, innovative research, and first-rate learning experiences to support industry leaders.

Business leaders are facing unprecedented challenges to their leadership capacity as they navigate increasing expectations, from responding to demands for increased transparency to adapting to the imperatives of artificial intelligence (AI). As the only ethics center within an academic institution focusing exclusively on the financial services industry, we specialize in helping leaders strategically position their companies for success, driving positive business outcomes and stakeholder value.

It is our belief that responsible AI is essential for driving long-term value in business. Our Center is dedicated to educating leaders on integrating ethical AI practices into every aspect of their organizational strategy. With a focus on creating sustainable outcomes for all stakeholders, we lead the way in leveraging AI for positive impact through research and education. In 2024, I co-authored a paper, "**Adaptable Artificial Intelligence**," recently published in the Journal on AI Policy and Complex Systems, which describes the critical need for adaptability in AI systems. The publication introduces the concept of adaptability – the capacity of AI systems to remain helpful and harmless as societal values evolve. It underscores the importance of adaptability for trustworthy AI, highlights the risks of market-driven development prioritizing profit over safety and proposes a publicly governed research program to foster innovation in adaptability techniques.

Notably, this past winter, the Center hosted an AI Roundtable. Industry leaders in key roles, including General Counsel, Chief Risk Officer, Chief Compliance Officer, and Chief Technology Officer, engaged in a dynamic discussion on the challenges and opportunities of implementing responsible AI practices. They shaped the development of a practical playbook for operationalizing responsible AI governance and benefitted from first access to the completed resource.

Additionally, this year's Mitchell/The American College Forum on Ethical Leadership in Financial Services addressed responsible AI in financial services, and how companies are integrating business and ethics considerations in their strategic discussions. As a confidential convening of experienced leaders dedicated to ethical practices and fostering collaboration among peers, the Forum enabled collective learning through meaningful conversations and impactful reflection.

Our vision is to be the go-to trusted resource on ethics in the industry. Toward this purpose we develop evidence-based education offerings for corporate supporters of our Alliance for Ethics in Financial Services, empowering their growth through learning, instilling confidence, and enabling them to drive impactful decisions for stakeholders. Our **Trust Certificate Program**, Strategies for Building Trust course goes beyond theory, applying frameworks developed by our Center to help participants build deeper connections, address barriers to trust, and create trust-based relationships that drive long-term success.

We invite you to join us on our journey by exploring and amplifying our 2025 Perspectives report with your professional networks, **becoming a corporate supporter of our Alliance for Ethics in Financial Services**, signing up to receive EthicAlly, our monthly **newsletter**, exploring the resources on our **website**, or following us on **LinkedIn**.

Sincerely,

Azish Filabi

Azish Filabi, J.D., M.A.

Managing Director, Cary M. Maguire Center for
Ethics in Financial Services

Associate Professor and Charles Lamont Post
Chair of Business Ethics

Highlights of the Center's Activities

Holding Financial Services to a Higher Standard

The American College Cary M. Maguire Center for Ethics in Financial Services is led by academics, researchers, financial professionals, and ethicists focused on shaping the culture of the industry for the benefit of society. The Center for Ethics in Financial Services brings together professionals from a broad range of backgrounds to find common ground and solutions to today's biggest ethical challenges. Explore our research and knowledge offerings.

Executive Education from the Leaders in Applied Education

[Trust Certificate Program]

Artificial Intelligence in the Financial Services Industry

AI Roundtable: Cross-Functional Operationalization of Responsible AI in Financial Services (February 2025)

AI Ethics in Financial Services: Navigating Opportunities and Challenges (October 2024)

Trust in Financial Services

Drivers of Trust in Consumer Financial Services (October 2024)

Get to know the Center for Ethics at *Ethics.TheAmericanCollege.edu*

Building Trust in Business and Society

Our faculty, staff, fellows, and scholars are consistently making news in the financial services industry with their work in diverse fields of study and connecting the latest in ethical theory and practice with trending topics in the world of business today. Research and insights from the Center for Ethics are regularly featured in major media publications.

InvestmentNews | **Want to Build Trust in Financial Services? Learn to Navigate Blind Spots**
By Caterina Bulgarella, PhD, & Azish Filabi, JD, MA

Global Survey of Business Ethics 2022-2024| **Key Trends in U.S. Business Ethics**
Azish Filabi, JD, MA, co-authored a chapter on business ethics in the United States with Andrew Gustafson and Danielle Warren.

2024 IWI Strategy Forum | **Azish Filabi Highlights Ethical Risks of AI in Financial Services**

Financial Advisor Magazine | **Five Key Questions for Ensuring Responsible AI in Financial Services**
By Azish Filabi, JD, MA

Financial Advisor Magazine | **Leading with Trust in The Modern Financial Landscape**
By Domarina Oshana, PhD

View our latest insights and announcements at *TheAmericanCollege.edu/Insights*

Community of EthicAllies

EthicAlly is the monthly newsletter of the Center for Ethics and aims to inform readers about trends related to ethics in financial services and to help industry leaders get ahead of stakeholder management challenges. We want to be your trusted resource of expert knowledge on ethics in financial services. Sign up by visiting our **website**.

Forum on Ethical Leadership

The Twenty-Fourth Annual Mitchell/The American College Forum on Ethical Leadership in Financial Services took place on January 10-11, 2025, in Naples, Florida. The event featured a case study discussion on responsible artificial intelligence (AI) in financial services and examined practical ethical dilemmas encountered by executives during their careers. Industry and academia professionals analyzed the case study and considered how companies are navigating the intersection of business and ethics in their strategic discussions on responsible AI. This established the foundation for executives to reflect on the complexities of their leadership roles and engage in critical dialogue with corporate ethics experts from esteemed universities.

Participants

Academics

Joanne B. Ciulla, PhD, Professor of Leadership Ethics, Department of Business and Global Management, Director, Institute for Ethical Leadership, Rutgers University

Azish Filabi, JD, MA, Managing Director, Cary M. Maguire Center for Ethics in Financial Services, Associate Professor of Business Ethics, Charles Lamont Post Chair of Business Ethics, The American College of Financial Services

Derek Leben, PhD, Associate Teaching Professor of Ethics, Tepper School of Business, Carnegie Mellon University

Kevin Werbach, JD, Liem Sioe Liong/First Pacific Company Professor, Professor of Legal Studies and Business Ethics, Chairperson, Legal Studies and Business Ethics, The Wharton School, University of Pennsylvania

Executives

JoAnne Breese-Jaeck, Vice President and Chief Privacy Officer, Northwestern Mutual

Michael Carrel, Senior Vice President and Chief Technology Officer, Nationwide Financial

Marguerita Cheng, CFP®, Founder and CEO, Blue Ocean Global Wealth

Ian Collins, Chief Compliance Officer, Chief Privacy Officer and Associate General Counsel, Foresters Financial

Andrea Doss, Senior Vice President and Chief Risk Officer, State Farm

Gregg George, JD, LL.M., Founder, Managing Director and Senior Client Advisor, Crescent Grove Advisors

James Mitchell, CLU®, ChFC®, Chairman of the Advisory Council, Cary M. Maguire Center for Ethics in Financial Services; Chairman and CEO (Retired), IDS Life Insurance Company

George Nichols III, CAP®, President and CEO, The American College of Financial Services

Executive Summary

On January 10-11, 2025, the American College Maguire Center for Ethics convened a group of academics and executives in Naples, Florida to participate in the Twenty-Fourth Annual Mitchell/The American College Forum on Ethical Leadership in Financial Services.

The Forum's purpose is to bring together leaders from across the industry and academia for meaningful discussions on ethics in financial services.

Ahead of the Forum, participants reviewed a case study prepared by the Center for Ethics on responsible artificial intelligence (AI) in financial services, focusing on how companies are strategically integrating ethical considerations into their operations. The case study served as a guide for fostering strategic dialogue and sparked deeper analysis and valuable insights.

On the first day, each participant briefly shared what they hoped to contribute and glean from their engagement in the Forum. On the second day, participants collaborated in a comprehensive examination of the case study, going beyond the surface-level details to explore nuances and complexities. This established the foundation for a discussion of ethical dilemmas shared by the executives. Connecting academic knowledge and real-world application, the academics followed with questions for the executives, engaging in meaningful discussion and uncovering new perspectives. The academics also shared valuable lessons learned, effective strategies and key observations they have gained through their experiences in the classroom.

The case study established the foundation for participants to contemplate the practice of developing and using AI in a way that is ethical, technically adept, and beneficial to society. Through dialogue on principles of responsible AI such as inclusiveness, privacy and security, transparency, and accountability, participants recognized that responsible AI is about building AI systems that are trustworthy and safe. The case study's discussion prompts focused the conversation on the effect of the proliferation of AI in financial services, including the role of AI governance within financial companies and the evolving regulatory frameworks. The group agreed that good internal governance is key to addressing AI risks before they impact people, including external and internal stakeholders.

As part of the case discussion, the group analyzed what it means to create an AI-ready workforce and concluded that staying ahead of the curve on adopting and developing AI is critical for businesses to remain competitive and relevant. Similarly, as AI in financial advising continues to evolve, the group recognized the importance of financial advisors embracing AI as a powerful tool to enhance their capabilities, not fearing it as a job-stealer. Acknowledging that AI is rapidly evolving and companies are still learning the technology, the group emphasized the importance of each company having a set of principles to guide their decision-making without stifling innovation.

The group poses for a photo in the hotel courtyard.

The second segment of the Forum was the discussion of dilemmas faced by executives relating to ethical leadership. Executives shared quandaries including dealing with the difficulties of a side-hustling employee; revolutionizing access to homeowners' insurance; leveraging social media in life insurance; managing the complexities of crisis communication after a cyberattack; upholding fiduciary duty under pressure; and addressing the intricacies of AI in talent acquisition. The following are key takeaways:

- *Employee side-hustling can present a challenge, even when companies have conflict of interest disclosure policies in place.* Leaders may grapple with problems such as decreased productivity at work, conflicts of interest with the company's business, and concerns about employee focus and attention being divided between their primary job and their side hustle, requiring leaders to set clear boundaries and expectations to mitigate these issues.

- *An active dilemma for the financial industry is the affordability and availability of homeowners insurance.* This challenge is particularly acute with changing weather patterns and damage from hurricanes and wildfires. To drive long-term success for consumers, and government, navigating the insurance industry's complex challenges may require balancing individual choices with systemic solutions.

- *When it comes to leveraging social media data in life insurance underwriting, it's best to take a cautious approach.* Given privacy concerns, potential inaccuracies, and the possibility of biased interpretations of online activity, responsible companies navigate this intricate landscape carefully.

- *Strategies for seamless cybersecurity incident response are challenging for leaders and it's hard to make things right.* Bridging the gap between security measures and ethical considerations is paramount to upholding trust and integrity in the digital world.

- *Fiduciary duty can be a double-edged sword.* On the one hand, it provides protection to clients by requiring a financial advisor to act solely in their clients' best interests. On the other hand, it can create significant legal liability for the financial advisor if they fail to uphold that standard, potentially leading to lawsuits and consequences even if the financial advisor made decisions they believed were in good faith.

- *Bias is a key issue in using AI-powered hiring processes.* To ensure fairness, human oversight is vital.

JoAnne Breese-Jaeck makes a point as Kevin Werbach and Marguerita Cheng listen attentively.

The final segment of the Forum focused on discussion of the academics' questions. One academic asked the group where AI regulation would be helpful to companies in advancing business growth. Another academic requested input on leveraging the capabilities of artificial intelligence to analyze both traditional company data and unique, external alternative data sources.

A third academic steered the group through a pensive thought experiment that leveraged a catchy phrase – "guns don't kill, people do," drawing similarities between societal challenges that relate to accountability. The intellectually stimulating exercise was a memorable way to reinforce awareness about the potential risks associated with AI surpassing human decision-making capabilities. Consequently, it instilled in participants the vital importance of AI governance to prevent harmful outcomes.

At the end of the Forum, participants shared constructive feedback to enhance future programming and conveyed that they enjoyed their experience. Notably, they expressed appreciation for the exceptional case study and the attentive hospitality provided by the Center for Ethics.

Opening

Jim Mitchell started the discussion by asking each participant to respond to two crucial questions: What does ethics mean to you and your organization? What do you want to get out of a day of dialogue between researchers and practitioners?

Reflecting on his own career, Mitchell shared that he had the pleasure of working for two very ethical companies. This impressed upon him the belief that doing the right thing is good business. Given his passion for fostering collaboration among leaders of goodwill, Mitchell added that he is committed to using the day for creating a space for meaningful dialogue and learning opportunities. Affirming his dedication to enabling leaders to step back, analyze, and make informed decisions, Mitchell earnestly advocated for the adoption of the principle, “It’s hard to do the right thing if you don’t reflect on what the right thing is.”

The executives participating in the Forum represented a cross-section of leaders in the financial services industry with varied professional journeys, life experiences, and perspectives. Eager to engage in guided discussions on overcoming organizational challenges, the executives expressed a commitment to learning and leveraging their experience at the Forum to drive positive change within their organizations.

George Nichols shared his view that, “This Forum enhances what we do [as leaders] when we think about ethics.” Nichols added that he has engaged in several discussions with other executives around AI where the focus has been on enhancing business performance and gaining competitive advantage. Within that context, Nichols has challenged executives to reflect on what they are doing to uphold the highest standards of integrity and responsibility in their business strategy.

Nichols’s pragmatic challenge to his peers struck a chord with Gregg George, who specializes in working with C-suite executives in delivering highly tailored financial solutions to meet diverse client needs. Reflecting on demands to prioritize ethical considerations in AI development and deployment, George added, “It’s not if, but when I will be faced with these issues.” Michael Carrel, who leads technology teams to drive innovation and achieve strategic business objectives, resonated with the dialogue between Nichols and George.

Gregg George impresses a point that Andrea Doss, George Nichols, and Jim Mitchell consider.

Carrel remarked, “When you think long-term, trust comes with ethical decision-making.” Inspired by his passion for real-world application and ethical governance structures, Carrel underscored the importance of turning concepts into actionable strategies within organizations. He remarked, “I believe that what’s documented becomes reality, shaping how people integrate best practices into their work.”

“There is value in *stepping back* to talk about ethics in theory and *stepping in* on execution and practice.”

Andrea Doss

With his background in upholding privacy rights and mitigating risks in a constantly changing digital world, Ian Collins brought to bear the significance of focusing on organizational purpose. Reflecting on the mission of his organization, a fraternal benefit society, Collins explained that their purpose is to support the well-being of members in their communities. That’s their “North Star,” a metaphor he used to explain that his organization’s mission is a guiding light for constancy and reliability in navigating change. Collins added that he is excited about hearing the perspectives of both industry executives and academics, especially macro-level insights that they may overlook in the busyness of daily business operations.

JoAnne Breese-Jaeck added that her organization is also a mutual company focused on providing long-term value to its members. As a lawyer with expertise in privacy practices, Breese-Jaeck strongly believes there is value in having privacy as its own separate department. She elaborated, “When privacy is elevated as its own department, it is in a better position to enable privacy and the ethical use of data as a differentiator.” Breese-Jaeck added that she is seeking to challenge and reaffirm her thinking through her participation in the Forum’s discussions.

Building on the group’s commitment to continuous learning and passion for understanding moral principles, Marguerita Cheng commented, “Ethics means integrity and trust.” Cheng, a highly accomplished and in-demand financial advisor, shared her reasoned judgment that ethical business practices lead to sustainability and profitability and that these two business concepts are not mutually exclusive.

Andrea Doss, a seasoned insurance executive, concurred with Cheng. Reflecting on ethics in enterprise risk management, Doss contributed, “There is value in *stepping back* to talk about ethics in theory and *stepping in* on execution and practice.”

Ian Collins, Michael Carrel, and Andrea Doss concentrate on the conversation.

The academics in the group also shared their enthusiasm for engaging in impactful conversations that drive ethical decision-making as well as personal and organizational integrity. Joanne Ciulla, who has been teaching ethics for fifty years, commented that teaching ethics is her life's work. Ciulla sagely stated, "The secret of teaching [ethics] is getting more than you invested in it." Ciulla's point suggests that ethics educators contribute significantly to the development and growth of their students. By shaping their critical thinking and character development, they often influence students' lives beyond academic achievement and their positive effects can last a lifetime, impacting students' future careers and ethical choices.

Derek Leben, who teaches business ethics, turned the group's attention to the value of serious thought and consideration in the development and deployment of AI. He explained that in his classes he facilitates ethical debates and ethical reasoning. Leben guides his students to challenge conventional norms and laws in the face of advancing technology and provokes their deep thought in exploring the unchartered territories where innovation meets ethics. For instance, Leben queried, "We invent a mobile phone incorporating a digital camera. Now I can look at you in public. Can I create a deepfake?" Leben offered that such questions engage his business school students to give serious thought and consideration to creating efficient and ethical technologies that drive positive outcomes.

Derek Leben and Kevin Werbach listen actively.

Resonating with Leben's remarks, Kevin Werbach, an expert on the business, legal, and social implications of emerging technologies, commented, "We wrestle all the time with what ethics means." Werbach underscored the importance of fostering responsible AI practices that prioritize fairness, transparency, and accountability. Azish Filabi agreed with both Leben's and Werbach's perspectives. Filabi, who comes to the topic of responsible AI from a systems-level viewpoint shared that it's also important to think about the role of business and society to contribute to the broader good. For instance, Filabi challenged the group to consider not only thinking about legal systems in contributing to the common good but also how education can elevate ethics.

> **"We wrestle all the time with what ethics means."**
> **Kevin Werbach**

To close out their discussion, the group returned to contemplating the pressing issue of privacy in a rapidly changing digital age. For instance, the group discussed younger generations as being more willing to share personal information than older generations. There was acknowledgement that this is because younger generations value personalization and see it as a non-negotiable factor that improves their online experiences, prioritizing it over data privacy. Yet, the group also acknowledged that there are nuances. Carrel aptly stated, “Because digital natives have always known a connected world, they may naturally approach online interactions with a high level of trust. This lack of firsthand experience with certain risks can make it challenging for them to understand and respect online guardrails.”

Filabi concluded the opening discussion with an emphasis on the role of trust as actionable to ethics, explaining that it’s important to the success of the financial services industry. She added that the case study provides the group an opportunity to deeply analyze leadership challenges overall, not only challenges of AI development and deployment. Additionally, Filabi noted that the case study guides the group to dissect the intricacies of AI regulation in the EU in contrast to the US.

Case Discussion: Responsible AI in Financial Services

Azish Filabi opened the dialogue on responsible AI in financial services. While AI-related conversations can be very technical, Filabi paved the way for an accessible discussion on the impact of AI. She encouraged the group to reflect on how companies and individuals are addressing the intersection of ethics, innovation, and humanity in the realm of AI. Filabi queried the group for their thoughts on how financial companies can balance speed and safety and what opportunities the group sees to mitigate these pressures.

Responsible AI Frameworks

The group coalesced on the topic of governance within companies. They agreed that good internal governance is key to addressing AI risks before they impact people. For instance, Ian Collins commented that his company garnered the attention of their Board of Directors on leveraging AI to drive operational efficiency. He noted that they are in a nascent stage and taking a gradual approach to understanding AI systems and where they integrate into material decision-making. Their aim is to be more risk focused, accurately identifying risk explainability and how that works up to a decision-making model. Moreover, they want to ensure that their decision-makers understand what's at stake because what AI could be continues to evolve.

George Nichols shared that the leadership team at the American College of Financial Services is highly cognizant of the possibility that its employees are exploring AI technologies in their daily work. The team is focused on understanding how employees are working with AI and who is using it, adding that obtaining accurate reports is a challenge. Nichols's remarks resonated with Michael Carrel and JoAnne Breese-Jaeck both of whom shared that their companies have governance models to help manage AI ethics risks.

Michael Carrel captures the attention of Andrea Doss, Gregg George, George Nichols, and Jim Mitchell.

Carrel reflected, “Given the increasing prevalence of AI tools in everyday life, we understand that employees are likely using them regularly. To proactively manage associated risks, we provide internal AI tools with clear guidelines and flexibility for employee use. This approach acknowledges the reality of external AI adoption and seeks to mitigate potential issues within our secure environment.” The core idea of this governance approach is that humans are not just passively observing but actively contributing to the process of AI uses to mitigate any potential adverse impact. Breese-Jaeck expounded, “We have a standard that requires approval before using AI to process personal information, so there is a stop before you go.” She acknowledged that it takes time to create effective standard operating procedures.

Nichols asked the group if they were aware of any entity outside their organizations that has used speed to market in a way that puts their companies at a competitive disadvantage. Two executives shared different viewpoints. Andrea Doss remarked that AI can help guide decisions, but her observation is that companies in her industry are still determining how best to leverage it as a competitive advantage. Carrel remarked that at his company they have been able to respond faster to new business, reduce the amount of manual work, and that a subset of their partner firms can get business booked faster and that gives his company an advantage.

Doss made a cogent observation about ChatGPT. She noted that upon its release, there was a sense of urgency to use it and not fall behind. Doss shared that at her company there were fundamental building blocks – data quality and data governance from the risk side – that needed bolstering to realize success. Doss emphasized, “Companies need quality data and the ability to structure properly to leverage AI tools for novel and effective use.” Breese-Jaeck emphatically agreed.

Joanne Ciulla, Derek Leben, Kevin Werbach, and JoAnne Breese-Jaeck take in the discussion from across the room.

Jim Mitchell turned the group's attention to the topic of AI use in financial advisory practices. Mitchell shared that he read an article about advisors leveraging AI to analyze their clients' tax information to give them better investment advice. He wondered if this is a lucrative opportunity. Gregg George confirmed the authenticity of, and potential for success, within the opportunity. George cautioned that it requires talent that is difficult to source.

Reflecting on his own experience, George shared that he had recently hired two interns for a project comparing venture funds' offering documents. In his estimation, George anticipated that the project would take three weeks to complete. To his astonishment, they completed the project in two days.

George recounted his thinking at the time, "How did they do it?" He explained that the interns had enlisted the Chief Technology Officer to enter all the AI prompts, and the AI went through stacks of documents to produce an efficient due diligence with quality results. George advised on the importance of hiring talent that knows how to use AI tools. He returned to Nichols's earlier query to highlight this anecdote as an example of speed to market. George caveated that human involvement in monitoring and evaluating AI-generated output is vital before it's provided to the client. Nichols affirmed that it's a huge risk factor if companies overlook the importance of human evaluation.

Returning to Mitchell's earlier question, George also confirmed that AI can produce a potentially better product for the client by compressing the due diligence process. He added that a rigorous human approval process is necessary. Derek Leben validated this point, commenting that "It can be impossible for a human to manually check and verify AI augmentation. The best method is to have the human check the approval process – it's realistic to check every AI automated rejection." Underscoring the critical importance of verification, Leben remarked on the role of leaders in communicating with their teams about it. Leben remarked, "To ensure accuracy and integrity in AI technologies, leaders must set the standard for excellence in this evolving field. Skipping verification is not an option – it's a red flag." Carrel agreed and stated that at his company they are accelerating AI readiness through strategic education.

Creating an AI-Ready Workforce

As AI uptake has increased, JoAnne Breese-Jaeck is fascinated by how companies assess employee performance. With a keen interest in the intersection of technology and productivity, Breese-Jaeck asked the group, "Is excellence defined by AI utilization or tangible results?" Gregg George responded that it's both. George explained that he first conveys appreciation to his employees for utilizing AI, as in the due diligence process described earlier. He then challenges his employees to verify AI utilization to ensure integrity and compliance.

Michael Carrel expressed appreciation for Breese-Jaeck's question. At his company, getting their workforce ready is just as important as utilizing the technology. Carrel shared that his company provides four hours of training on developing digital skills and four hours of training on developing soft competencies.

Carrel remarked that his company's leadership sets the tone by messaging, "AI will not replace you, but people who use AI will replace you."

To illustrate, Carrel used the example of training an annuity wholesaler on AI utilization. His company created AI tools to help annuity wholesalers better understand the complexity of products, thereby equipping them to serve financial advisors more effectively. Carrel stated, "The effectiveness and value of AI are a result of both the technology's inherent potential and the user's proficiency in leveraging its features."

Carrel emphasized the expectation that strategically harnessing AI will accelerate their business growth and allow them to outpace competitors who are not adopting this technology. Derek Leben concurred, sharing his view that the future of work is about transformation and employees must leverage AI to streamline tasks and elevate efficiency. Leben remarked, "As we advance toward an AI-ready workforce, the role shifts from task performer to strategic manager of AI solutions."

> **"As we advance toward an AI-ready workforce, the role shifts from task performer to strategic manager of AI solutions."**
> **Derek Leben**

George Nichols asked Carrel about how his company's leaders are adapting to the use of AI in making more informed decisions and what the outcomes have been. He was particularly curious about whether financial firms are focusing on leaders, in addition to frontline workers, when it comes to training on the latest AI technologies.

Carrel imparted that there are some leaders who are more responsive than others. At his company, they have modeled the way from the highest level by leveraging generative AI to guide leaders through transformative exercises. Carrel stressed, "With the rapid integration of AI in businesses, staying ahead of the curve is no longer a choice but a necessity." As a firm believer in leveraging AI for sustainable growth, Carrel empowers his company's leaders to embrace AI technology as a business imperative.

Ian Collins turned the group's attention to a separate question. He asked the executives how they are responsibly managing and training incoming individuals who are skilled in AI utilization. Collins reasoned that there might be a slightly different value to expertise because of the nature of what companies assign AI-skilled employees to review, govern, or evaluate. Derek Leben agreed and added that this is especially relevant in healthcare and startups.

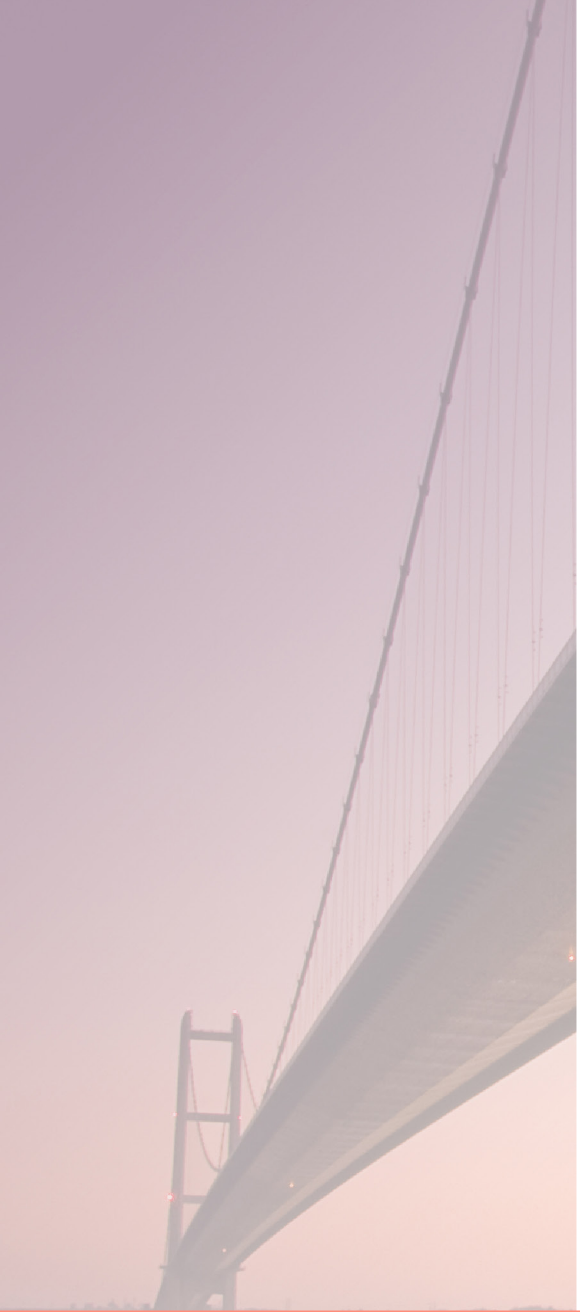
Derek Leben shares his thoughts as Azish Filabi and Joanne Ciulla tune in.

Leben explained that doctors and startups don't believe they need expertise to perform medical tasks such as categorizing a set of bones into "broken" or "not broken" because their attitude is that humans can train AI models to recognize the patterns and classify the bones for them. His concern is that people who don't have the expertise to verify what they are doing will drive the health insurance industry. Kevin Werbach responded that this is where regulation comes into play. Building on Werbach's thought, Azish Filabi concluded that Leben's concern raises questions about third-party vendors. Filabi explained the concept of model drift, that systems created for one environment do not fit the specific challenges faced by deployers across different environments.

Exploring the Dynamics Between AI and Humans

Speaking directly to the academics in the group, Carrel asked them how they are educating future generations to shape AI, not be shaped by it. Carrel shared that he is deeply concerned about fostering critical thinking and creativity in young minds to build a future where humans maintain agency over technology, guiding its development and use. As a father of young children, Derek Leben identified with Carrel's concern. Leben shared that he also worries about pushing the boundaries of AI automation. Leben reasoned that it's necessary to find a balance between innovation and preserving essential knowledge required for task execution such as understanding the basic mechanics of a car and how they interact to operate it safely and effectively on the road.

> **“The role of the expert is not just knowing how the AI works but also understanding the meaning behind its outputs.”**
> **JoAnne Breese-Jaeck**



To Leben’s point, Azish Filabi recounted that a court threw out the case of a lawyer who used AI but could not remember the prompts he used or how the technology worked in making his case. Filabi explained that in highly technical fields such as law and in use cases such as trust and estates, explaining the decision-pathways for AI systems is important. JoAnne Breese-Jaeck agreed, pointing out that a court may not accept an expert opinion if the expert can’t explain the basis for analysis. Breese-Jaeck commented, “The role of the expert is not just knowing how the AI works but also understanding the meaning behind its outputs.”

Reflecting on Filabi’s remarks and his experience as a former regulator, George Nichols commented that regulators will force companies to slow down to consider how their AI systems make decisions and predictions. Ian Collins shared his concern that internal processes that don’t directly impact customers may have their own unique risks as AI uses accumulate. He wondered about the internal competencies within organizations to identify over time where there are issues of explainability.

Joanne Ciulla offered her perspective as an educator. In teaching her students to use AI in a responsible way, she completely unplugged her course from the Internet. In her class, students submit their work on paper instead.

While Ciulla’s university has huge AI capabilities and students have access to AI tools, she felt strongly that the only way to guarantee the integrity of her students’ writing was to require them to write in class, unplugged. Moreover, she underscored the need for her students to know how to write and the need for them to acquire critical thinking skills. Reflecting on her actions, Ciulla rhetorically asked, “If we just let them use AI in our class, is anybody going to learn anything?”

Kevin Werbach astutely observed that the group was discussing two different topics: AI literacy – the ability to understand, use, and evaluate AI systems, and AI explainability – the ability to understand how AI systems make decisions and predictions. Werbach explained that you can have one without the other. From the consumer's viewpoint, Andrea Doss contended that balance is necessary.

Filabi pointed out that there are use cases where companies decide not to use AI given the risks involved. Filabi enlightened the group by sharing that in the book, AI Snake Oil by Arvind Narayanan and Sayash Kapoor, the authors suggest that predictive AI does not work accurately. She asked executives in the group to consider what's behind the decision to not use AI. Breese-Jaeck responded that in addition to accuracy, vendor-provided solutions that train on user's data can be problematic.

Filabi followed up on this point, contemplating whether such an approach should be a company policy, or if it's up to the values of individual leaders. Filabi elaborated by sharing an ethical dilemma articulated in a past Mitchell/The American College Forum on Ethical Leadership in Financial Services. The dilemma involved the use of AI to analyze the credit card data of an individual's purchases of a vast amount of alcohol. Breese-Jaeck responded that use of this data for purposes of underwriting would likely require consideration of whether purchasing alcohol is indicative of alcohol use in addition to whether there is a correlation between drinking and mortality. Breese-Jaeck also highlighted regulation as a factor in the assessment of how the AI may be used with this type of data.

Andrea Doss added, "We are still learning this technology. A set of responsible AI principles are our guiding light – we want to do no harm, and we want to comply to ensure we are in alignment with laws and regulations." Doss emphasized that the risk of creating a "never list" constrains innovation. The executives in the group agreed with Doss that principles and context guide decision-making. Drawing from his company's rigorous process, Carrel added that having guiding principles informs the risk management framework. At his company, this is informed by multiple disciplines, including legal, risk, and technology as well as a governance structure that includes evaluation by a committee and approval from their board on how it's managed.

Ian Collins asked how the process Carrel described works from the vendor standpoint. Carrel explained that whether companies build or buy AI, it goes through the same evaluation process. Doss added that third party transparency is critical because sometimes AI is embedded in products. At Doss's company, they have had to rethink their due diligence and work carefully with their procurement team.

Leben asked the executives to share the degree to which they are moving beyond principles to actual measurements and standards like bias and explainability. Doss responded that she has been pushing her company's model risk management framework to evolve to provide proper oversight and monitoring. Breese-Jaeck commented that it's difficult to produce a one-size-fits-all approach where there are multiple ways of effectively testing impacts on every substratum of data. At Breese-Jaeck's company, their approach is based on the context.

"AI will not replace financial advisors, but financial advisors must leverage AI tools; understanding the underlying assumptions in AI systems is not just a responsibility but a necessity."

Marguerita Cheng

Adapting to the Evolution of AI in Financial Advising

Gregg George broached the topic of AI use in rebalancing retirement accounts. Marguerita Cheng stated that she sees a multitude of venture-backed technology solutions for financial advisors. She emphasized that there are many questions that need to be asked beyond just looking at clients' assets. She also pointed out the importance of uncovering clients' blind spots. Cheng remarked, "AI will not replace financial advisors, but financial advisors must leverage AI tools; understanding the underlying assumptions in AI systems is not just a responsibility but a necessity." Cheng stressed that this is what ensures informed and strategic financial decisions.

With respect to educating financial advisors, George Nichols reflected that he is focused on how AI is transforming the profession, seeking to understand "Who is it that benefits from the advisor's newfound competence?" Kevin Werbach commented that knowledge of retirement planning is a subject matter where AI can be helpful for the consumer, but that the consumer should also be aware of the risks. For example, he cautioned that while the consumer can go to ChatGPT for an answer to a retirement question, it's crucial to be mindful of potential biases and inaccuracies, especially when using a general-purpose tool such as ChatGPT rather than something scaffolded specifically for that use case.

The group muses on Michael Carrel's remarks.

Michael Carrel shared his concern about consumers reacting to market trends or dire events in their lives without appropriate guidance, like prematurely drawing money down from their retirement accounts. Derek Leben responded that it comes down to baseline performance. To explain his point, he added, "If you're introducing an AI tool, how good is it to baseline performance if you're starting from a challenging baseline – your humans are not good at the task to begin with?" Leben underscored the phrase "what they would otherwise do" to explain that AI is doing good for people who would otherwise make unsound decisions left to their own judgments.

When considering an AI tool for financial advice, Azish Filabi suggested that who owns the technology might influence what action it is motivated to recommend. She provided context for this question by pointing to social media and people being financial influencers and recommending certain strategies or products, sometimes based on a conflict of interest.

Ian Collins challenged the group to imagine themselves at this Forum 25 years ago. He argued that the group may have said the same things about the Internet. Carrel replied sensibly, "Sometimes things that create greater good may not be readily achievable." Carrel clarified that AI could help human advisors with accuracy, but they may be afraid to use AI tools because of regulations. Despite the regulatory hurdles, AI could drive positive change for business and society.

Doss added that a challenge for companies is assignment of liability for a solution that may make mistakes. This is not yet clearly defined between technology provider and technology consumer. Citing research from the American College Center for Ethics in Financial Services, Filabi added that consumers who are less trusting of the financial industry are more likely to go to social media for advice. Cheng remarked it's because they can identify with the messaging.

Executive Dilemmas

Jim Mitchell set a constructive tone for exploring leadership dilemmas of executives. To open dialogue on navigating the complexities of ethical decision-making together, Mitchell defined an “ethical dilemma” as a situation where there are good reasons for doing something but also good reasons for doing something quite different.

Trust & Betrayal: Managing a High-Ranking Employee’s Entrepreneurial Endeavors

The founder of a business firm beamed about leading a team of ethically minded professionals. With a booming business and a keen focus on compliance and regulatory standards, the founder needed to find the right person for a C-suite role to oversee his business’s adherence to industry standards and regulations. Initially, the founder was pleased to find an experienced professional with expertise working in large firms. It gave the founder peace of mind knowing that the employee had a robust background in organizational structure and development within a corporate setting. It signaled to the founder that the employee could potentially leverage their expertise to build a solid foundation for continued growth and sustainability in the founder's firm.

During the interview process, the employee disclosed their commitment to certain nonprofit activities outside of work. Consequently, the founder was not too surprised when the employee later requested to work from home a few days of the week to minimize disruptions during their workday. Notably, this pre-dated the work-from-home model that became popular and normal after the COVID-19 pandemic. Though a bit skeptical about the request because there were only a handful of employees working in the firm's office, the founder approved the employee's work from home request only to regret it later.

The founder learned that the employee was neglecting their duty to implement and monitor compliance programs effectively. The founder reflected they were paying the employee hundreds of thousands of dollars to work from home while they were also pursuing an entrepreneurial dream as a side hustle. For the founder, this was cheating and a clear violation of trust. This employee was taking money from the firm that they had not earned. The founder quickly acknowledged that they had an obligation to clients, colleagues, and employees to eliminate this unethical behavior.

After consulting with an employment attorney, the founder confronted the employee. The founder questioned the employee about their claim of holding a license and a law degree, since they had only listed a Masters-level degree on their resume. To the founder's disappointment, the employee responded that they had never listed their admittance to the bar. The founder felt misled and reasoned that this was another opportunity where the employee could have been forthright from the beginning. The employee's lack of transparency affirmed the founder's conjecture that this employee was serving their own interests, not the interest of the firm. Consequently, the founder made the decision to immediately part ways with the employee. Feeling astonished and disillusioned, the founder pondered, "How could a high-ranking employee intentionally violate the very compliance rules they are supposed to uphold?"

Discussion

Derek Leben questioned whether the ethical dilemma is about the firm owner's response being proportional to what the employee did or if it was that the employee did something wrong. Leben reiterated his question, "Is it a primary problem of honesty, or theft?" One executive suggested that it's both.

Jim Mitchell asked if the founder would have viewed the situation differently if the founder were in a different role within the firm. One executive responded that the answer is “no” because the founder felt that the trust violation was not acceptable.

Collins remarked that many firms have conflict of interest disclosures for employees as part of their code of conduct processes. Yet, Collins pointed out that an important question remains: “How do you evaluate what people should properly disclose and what’s a conflict of interest in terms of duty to the organization and duty as an employee?” There was some discussion among the group about whether Human Resources should screen the outside activities of employees based on their social media accounts.

An executive reflected that the pandemic has brought a sense of entitlement towards outside employment. The executive remarked that some employees have the attitude that employers cannot tell them they cannot work two jobs from home. The executive added that the implementation of keystroke monitoring by companies to track their remote employees has not helped. Employees are outsmarting the technology.

Building A More Inclusive and Sustainable Homeowners Insurance Landscape

An active dilemma for the financial industry is the affordability and availability of homeowners insurance. The cost of housing has increased over the last few years. Areas where people are migrating such as the East Coast and West Coast of the United States are substantial risk areas. Home insurance coverage is significantly higher in these areas compared to the past because of changing weather conditions. For instance, the wind prone Midwest of the country now has more claims than in the past, which increases the cost of insurance. Each state has its own dynamics. Some states are more in tune with the cost of insurance products whereas others like California are not.

If an insurance company cannot cover the cost of an insurance product, then they won't choose to sell it. An ethical dilemma arises when insurance companies are unable to charge the necessary price for an insurance product intended to help consumers. How can the insurance industry navigate the delicate balance between providing value and setting prices to benefit both business and society?

Discussion

A discussion ensued around finding solutions that benefit both consumers and insurance companies. For instance, one idea was to subsidize insurance products and make the risk pool bigger. However, one executive quickly acknowledged this as problematic because it would raise administrative costs and decrease coverage. Another idea was to ask consumers to share in the cost of risk management, but this was also not popular and acknowledged as uncomfortable for consumers.

The group acknowledged that the average American has little knowledge of how insurance works, how it's regulated, and what it should cost. There was cognizance that consumers are pushing against the cost of their premiums going up while insurance companies are trying to figure out how to stay in business.

Derek Leben, Kevin Werbach, JoAnne Breese-Jaeck, and Marguerita Cheng take note of the conversation.

Derek Leben challenged the group to consider whether insurance is a product or a right. Leben reasoned that if it's a right, then in the absence of insurance companies providing it, who will provide it and how? Michael Carrel commented that the extent to which the government might step in as a backstop has significant implications. While we've seen government involvement in certain situations, ultimately, insurance companies possess the expertise in risk management to best assess and price risk effectively. However, they need the ability to accurately price that risk to remain viable.

Collins remarked, "If you subsidize [insurance], you are not truly evaluating risk, you are killing time until things fall apart." Carrel agreed that companies lose competitiveness. He further pointed out that from a consumer perspective, the increasing cost of insurance can be seen as unfairly high, suggesting a potential gap in understanding the underlying factors.

Andrea Doss expressed her hope that regulation could resolve the dilemma. As a former regulator, George Nichols echoed that a solution may emerge from a collaborative approach between reinsurance (i.e., insurance for insurance companies), government, and market players. Taking the consumer's point of view, Doss concluded that the root cause is that insurance is straining consumer budgets. She queried, "How do we make insurance less expensive for consumers? How do we become part of the risk mitigation solution to make it less risky?"

The group considered that insurance companies can help by creating conditions that can minimize loss. To drive long-term success, navigating the insurance industry's complex challenges may require emphasizing individual choices over systemic solutions. Nichols commented that the unfair reality is that insurance is the intermediary between government and its people. Nichols emphasized, "Regulators should be able to say that part of consumer protection is the insurance industry's ability to pay claims."

> "Regulators should be able to say that part of consumer protection is the insurance industry's ability to pay claims."
> **George Nichols**

George Nichols communicates expressively as Ian Collins, Michael Carrel, Andrea Doss, and Gregg George ruminate.

Leveraging Social Media in Life Insurance

One executive asked the question, "Should life insurance underwriters use social media data to gain insights into a potential policyholder's lifestyle and risk factors for underwriting decisions?"

Discussion

The group's consensus was to not leverage social media data for underwriting decisions due to privacy concerns, potential inaccuracies, and the possibility of biased interpretations of online activity.

George Nichols asked the group if advisors are using social media to inform underwriting purposes. Marguerita Cheng responded that she is glad her firm made the decision not to use social media. She emphatically commented, "Leveraging social media in life insurance underwriting is not in alignment with our values."

Ian Collins challenged the group to consider what's meaningful in nontraditional data sources. Derek Leben pointed out that wearable technology data is meaningful, but worried that it may not be the right kind of data because of questions about its reliability and privacy concerns.

Michael Carrel commented that utilizing wearable data after a policy is issued could be a valuable way to encourage healthier choices and potentially lower future costs for policyholders. However, he cautioned about the challenge of directly measuring the financial return on these programs. Furthermore, he highlighted the importance of understanding whether consumers would be more receptive to receiving this type of health-related service from their life insurer or from an alternative source.

There was also discussion about whether wearables are regulated and whether that has any impact on the use of their data for life insurance underwriting. Cheng brought up price sensitivity as a factor, commenting, "I tell people, if you are price sensitive you can choose one – pricing with vitality data or pricing without vitality data. Gen Xers don't want to give up their personal data to save 10%. Their rationale is 'I'm willing to pay more to preserve my privacy'."

Joanne Ciulla asked the executives whether they use social media in hiring practices. Two executives remarked that they do, indeed, leverage social media data in their hiring practices. Derek Leben remarked that this is a classic business ethics problem – how much private life can employees have from their jobs? The group contemplated this question considering the complexity added by AI and the impact it can have on real people and their privacy. Fraudsters use AI-generated deepfakes – manipulated videos, images, or audio recordings that appear convincingly real – to create realistic images of events that never happened, causing significant harm to individuals by exploiting and manipulating their likeness. The impacts are harsh, including loss of employment opportunities, public humiliation, or damage to personal relationships.

One executive remarked that beyond background checks, his company does not use social media data because they are concerned that people will have biases about what they might see, and they do not want the liability of job applicants alleging they were not hired due to discriminatory practices in the misuse of social media data.

Managing the Complexities of Crisis Communication After a Cyberattack

One executive was interested in how leaders of financial companies navigate the complexities of post-cyberattack communication with consumers ethically and effectively. The executive queried the group with a two-fold question, "What are the protocols for managing the delicate interim period between incident detection and full analysis? How do you uphold transparency while respecting the sensitivity of information disclosure?"

Discussion

The group discussed strategies for seamless cybersecurity incident response. For instance, JoAnne Breese-Jaeck suggested that companies may offer voluntary credit monitoring to customers whose data was compromised in a breach. Ian Collins countered that the cost of credit monitoring can be high and questioned what additional value it provides since most credit accounts are being monitored these days.

Michael Carrel recommended taking a pyramid approach where at the top is a company's duty to comply with the law and the foundation is a company's obligation to ethics. Breese-Jaeck summarized the pyramid approach as starting with the question, "What is the best thing we can do to protect the people who may have been impacted and the company?" emphasizing the importance of putting people first.

The group acknowledged that the fine for companies is higher when they do not disclose a cyberattack to regulators. Moreover, they considered that the reputational costs may be even higher.

Reflecting on the gap between security measures and ethical considerations to uphold trust and integrity in the digital world, George Nichols asked, "How are companies thinking about cybersecurity strategy to align with ethical principles for long-term success?" Nichols expressed concern about companies' diminished awareness of the impact on consumer privacy. He added that there are companies whose risk approach is a separate line item in their budget for fines because it is easier to pay the fine than to do the right thing. Collins echoed Nichols's concern and concluded that it is an interesting ethical space because ethics around privacy is evolving.

Azish Filabi underscored that the cultural questions are important for this dilemma. For instance, she pointed to shifts in consumer expectations of fraud, which have shifted how companies are managing risks already. Filabi pointed out that from the consumer perspective there is fatigue around protection of their data because so much of it is publicly available and accessible to companies. Collins remarked that it's hard to make things right with so much data already available.

The Intricacies of a Financial Firm Rollup and An Unwavering Commitment to Fiduciary Duty

A seasoned financial advisor with a thriving practice has garnered attention from industry-leading firms seeking to integrate the financial advisor's successful business into their operations through an acquisition. As part of the due diligence process and concerned about the accounts of self-directed clients, the financial advisor asks questions of the acquirers such as "How are you managing cash?" Additionally, the financial advisor closely examines each acquirer's portfolio management practices. Consequently, the financial advisor learns that a merger would mean moving all client accounts to an acquirer's business model and the clients would pay 1.6% more in fees than they currently pay the financial advisor.

An independent evaluator, who the financial advisor sought out to assess their business, concluded that the financial advisor was "doing a good job." When the financial advisor reconnects with the acquirers to learn about their leadership teams' approach to transition the client's business, the acquirers tell the financial advisor "Our attorneys are looking into the merger."

When the financial advisor asks for specific information on what the acquirers are "looking into", the financial advisor learns that the legal teams of these firms have advised that they set aside money in an account to cover any fines that may result from the acquisition of the financial advisor's business. The financial advisor quickly makes the decision not to move forward with the acquisition. Reflecting on the experience, the financial advisor wonders, "What can a financial advisor (with or without the CFP designation) do to act in the best interest of their clients when faced with conflicting firm policies in an acquisition proposal?"

Discussion

Gregg George remarked, "When your solution starts with your legal team, that's usually not a good sign." To get a legitimate deal, George recommended that, as an institutional investor, the financial advisor could have actively traded securities into an institutional class. George added, "If you're in the long game and do the right thing for clients, not every dollar will be invested."

> **"If you're in the long game and do the right thing for clients, not every dollar will be invested."**
> **Gregg George**

Jim Mitchell sparked dialogue within the group by generalizing the ethical dilemma. Mitchell reframed it as a scenario where an employee of a firm struggles with the firm doing something the employee doesn't feel good about. He asked the group to consider what the employee should do in this dilemma. Derek Leben commented that his students frequently come to him with this dilemma. For instance, Leben shared that he has discussed with his students that large firms like McKinsey had a role to play in Purdue Pharma's production of OxyContin and the resulting human impacts, including a crushing public health burden of preventable deaths and millions affected by related problems such as homelessness, unemployment, and family disruption. Leben's students struggle with the guilty conscience of working for such companies.

Leben shared that he tells his students that he cannot give them career advice, but he can encourage them to take their moral tug-of-war seriously in their search for meaningful work. He tells his students that what's important is to work for a company that aligns with their core principles, including mutual trust and respect. Leben also counsels his students on the impacts of crossing a perceived boundary of right and wrong, challenging them to think about whether they would work for a company that they cannot respect. Consequently, he helps them consider what it would mean to perform an action that goes beyond what they consider acceptable or ethical behavior, and in the process violates their own personal moral standards or societal norms. For Leben, it's about instilling values of integrity in his students.

George commented that once an employee is past the courting stage of their employment with a company, they begin to take on risk. Thinking about psychological safety in the workplace, George added, “Companies don’t generally put policies in place for people to safely raise their hand without consequences.” Resonating with George’s remarks, Ian Collins affirmed that it is culture that fosters or obstructs ethical behavior.

Returning to the initial dilemma of the advisor facing a buyout by a questionable firm, Azish Filabi commented that, in terms of profitability, it is beneficial to sell into the private equity space even though it may not be in the long-term interest of the clients. While it’s an attractive exit plan for the advisor, Filabi emphasized, however, that the advisor staying with their clients demonstrates that the advisor cares about the clients. Filabi highlighted the paradoxical situation from which the advisor cannot exit by commenting, “By exercising your integrity, you’re inviting other ethical dilemmas.” Reacting to the trust challenge inherent in the paradox, Marguerita Cheng said, “Just because it’s legal, doesn’t mean it’s ethical.”

JoAnne Breese-Jaeck agreed with Cheng’s remarks, noting that the ethical dilemma in this scenario is a good example of “the letter of the law,” not the “spirit of the law.” She further remarked, “You should have a good faith intent to follow the law and also ask the question of what should be done.” Mitchell pointed out that, “Today’s ethical dilemma will be tomorrow’s legal challenge.”

> **“Today’s ethical dilemma will be tomorrow’s legal challenge.”**
>
> **Jim Mitchell**

JoAnne Breese-Jaeck shares feedback as Marguerita Cheng reflects.

Kevin Werbach summed up the analysis of the ethical dilemma concluding, “This is a case where charging a higher rate to customers than the original fee could be inconsistent with a fiduciary duty because it means taking an action in the firm’s interest and against those of clients.”

AI in Talent Acquisition

The Human Resources team of a financial services company considered using an AI-powered tool for talent acquisition. Their rationale was that using AI could automate and streamline various aspects of the hiring process, enabling recruiters to make data-driven decisions about the best fit for a role more efficiently.

The service providers of the AI-powered talent acquisition tool had selected criteria such as “college degree” and “years of experience in a job role.” As the Human Resources team began to discuss screening, they realized that certain roles don’t require a college degree. One concern the Human Resources team had is that, given the underrepresentation of women and people of color in the financial services industry, adding a college degree requirement could pose challenges for diversity and inclusion. To address this concern, the Human Resources team considered leveraging AI and the discernment of recruiters to ensure that the best candidates rise to the top. Yet, a lingering hesitancy remained for the Human Resources team due to recruiters’ limited bandwidth and concern about bias in the AI-powered acquisition tool. The Human Resources team questioned whether the service providers could fix the bias before they committed to using the AI tool. When the Human Resources team had pressed the service providers about this problem, it was disconcerting for the team to learn that the service providers had not done industry bias testing, only general bias testing.

Discussion

The group contemplated several factors of the talent acquisition process, including that Human Resources teams are often under pressure to fill open roles expeditiously. Michael Carrel asked, “Would a human recruiter look for experience and a college degree?” One executive said that it’s not likely in every case and that it would change the business process.

The group also discussed the challenge of confirmation bias of the people who use AI, creating additional questions about the AI-powered tool’s trustworthiness. For instance, Joanne Ciulla asked about whether homogeneity was desired, how the AI model works, and how it is different from traditional proxies.

Data quality was also a point of concern discussed by the group. As Ian Collins pointed out, “To counter subjectivity in performance reviews, you need so many data points for it to be meaningful.”

Carrel then posed the question of whether firms are monitoring remote employees. He argued against monitoring without cause, advocating for a leadership approach rooted in belief and trust in their remote associates' engagement. Jim Mitchell agreed and added that companies should be paying employees for results and deliverables, not the time they spend working. Mitchell lamented the practice of monitoring remote workers as treating adults like children.

Gregg George added a wrinkle by pointing out that Gen Z workers are unshakably attached to remote work, especially those who joined the labor force during the pandemic.

Ian Collins gestures emphatically as Michael Carrel and Andrea Doss observe.

Academics' Questions

The Positive Outcomes of Regulatory Frameworks

Kevin Werbach has discerned that people have a simplistic idea that companies prefer no regulation around AI development, fearing that strict rules could stifle innovation and hinder their ability to rapidly advance their business initiatives. Challenging the notion that rules are a hindrance, Werbach asked the executives in the group where regulation would be helpful.

Discussion

The group acknowledged that in the United States, the development of regulatory frameworks for AI has been a gradual and painful process. The group advocated for balanced AI regulation, fostering innovation while prioritizing consumer value.

JoAnne Breese-Jaeck highlighted that the future direction for AI regulation is currently unclear. Existing legislation includes several proposed and enacted provisions related to AI, including bills that address accountability, regulation, and innovation. Azish Filabi asked Breese-Jaeck about the components of federal privacy law she views as workable. Breese-Jaeck pointed to the Gramm-Leach-Bliley Act (GLBA) as providing a meaningful foundation, and suggested that modernization with provisions relating to consumer rights, preferences, and data minimization would be the best approach. She also supported the adoption of the National Association of Insurance Commissioners (NAIC) Model Bulletin on Artificial Intelligence (AI), which outlines a principled, but not overly prescriptive approach for how insurers can use AI responsibly. Through its bulletin, NAIC intends to help state insurance regulators create consistent rules for AI usage.

In support of Breese-Jaeck's response, Filabi commented that the NAIC model rule is a good case study because their approach requires testing, but allows for the approach to vary, if you explain your rationale.

The group turned their attention to the topic of compliance with AI regulation. They agreed that while it's up to companies to demonstrate their compliance, guidance from regulators is both necessary and welcome, especially on performance metrics that demonstrate compliance success. Breese-Jaeck championed the idea of having a harmonized approach across states. Breese-Jaeck expressed a desire to have established, consistent rules, "that we can use as a North Star." Michael Carrel agreed and added, "Beyond compliance, there's a significant drive within financial companies to ethically serve our customers. We believe a stronger partnership with regulators could further support these efforts."

Marguerita Cheng and Ian Collins listen attentively.

Harnessing the Power of AI and Alternative Data to Drive Business Strategy

Derek Leben presented the group with the issue of AI primarily relying on large datasets. He explained AI's reliance on large datasets can limit its applicability in situations where vast amounts of data aren't available. Consequently, a potential problem is that it can lead to inaccurate predictions or a lack of insights when handling niche and unique scenarios. It's in this gap where "alternative data" can be instrumental because it offers additional information sources beyond traditional datasets. The benefit is that use of alternative data can provide a more comprehensive picture, enabling AI to function more effectively.

Leben stated that if companies need to decide about risk or hiring, AI works well. Leveraging alternative data can be seemingly irrelevant, he argued. To illustrate, Leben shared an anecdote. The credit monitoring company, Experian, used a slide deck that was publicly available from the website of one of its employees to make decisions about the employee. The slide deck included information about the employee's calling behavior such as how long he charged his phone at night as well as information about the employee's financial behavior. Leben pointed out that Experian justified its use by using the umbrella label of "business necessity" in their perspective that they can use data about employees to make decisions about them. Leben asked the group, "How do we determine business necessity?"

Leben shared that in healthcare there is a debate on whether someone who is obese or a smoker is relevant to whether they will incur healthcare costs. Leben challenged the group with a volley of queries: "How should we make choices about which features are relevant, and which are irrelevant? Should we be using features that have a statistical relationship to your financial behavior? Is this a problem that industry leaders are wrestling with?"

Leben thinks that the use of alternative data – such as using an individual's search and browser history or social media data – results in discrimination. He rationalized, "To uphold social contracts, we should advocate for boundaries in utilizing alternative data into the training and analysis of AI models because they are conceptually disconnected to a financial decision."

Discussion

Andrea Doss grounded the group's discussion by sharing the insight that insurance by its nature charges different rates for different types of risk. She added that, within legal boundaries, companies make their own choices about the type of data they use, and where it has the potential to become unfairly discriminatory is when unconscious bias bleeds into data. Returning to the significant part, Leben challenged whether we should be using that data at all to make decisions about people. Doss remarked that some companies leverage all predictive data and others avoid using certain elements based on a business decision. Echoing Doss, Azish Filabi commented, "There is a broad spectrum within the financial industry in terms of what companies feel to be unpalatable uses of data in AI models." Filabi asked the group if they have a sense of whether there is a competitive advantage to using alternative data. Ian Collins responded that it's hinting at something but not providing any real insight.

"There is a broad spectrum within the financial industry in terms of what companies feel to be unpalatable uses of data in AI models."

Azish Filabi

The group reasoned that employing alternative data in financial decision-making requires significant scrutiny and companies should only utilize it with caution, if deemed necessary. They came to this conclusion after acknowledging issues of data dependency, bias in data, and limited applicability.

Regarding data dependency, the group recognized that AI algorithms rely heavily on the data AI trainers train them on, which may not be diverse or extensive enough, and lead to the AI model struggling to make accurate predictions in novel situations. On the issue of bias in data, the group agreed that if there is bias in the training data, the AI model will also reflect those biases, resulting in unfair or discriminatory outcomes that hinder financial inclusion. On the issue of limited applicability, the group discussed real-world scenarios where readily available large datasets don't exist, constraining the use of AI in those contexts. For instance, in sub-Saharan Africa, companies cannot make credit decisions because traditional credit does not exist. Yet, an argument in favor of using alternative data in this real-world scenario is that it can result in impactful change – fintech companies giving people mortgages they would otherwise not receive.

Leben suggested that the group also consider underlying factors, including both causal factors and correlated factors. Jim Mitchell posed Leben's suggestion as a question from the consumer lens. Mitchell asked, "Shouldn't consumers be given an explanation that makes sense for them?" There was consensus in the group that companies address questions like this only through crucial discussions on the challenges of leveraging alternative data, including by addressing issues of data quality, data integration, and data interpretation.

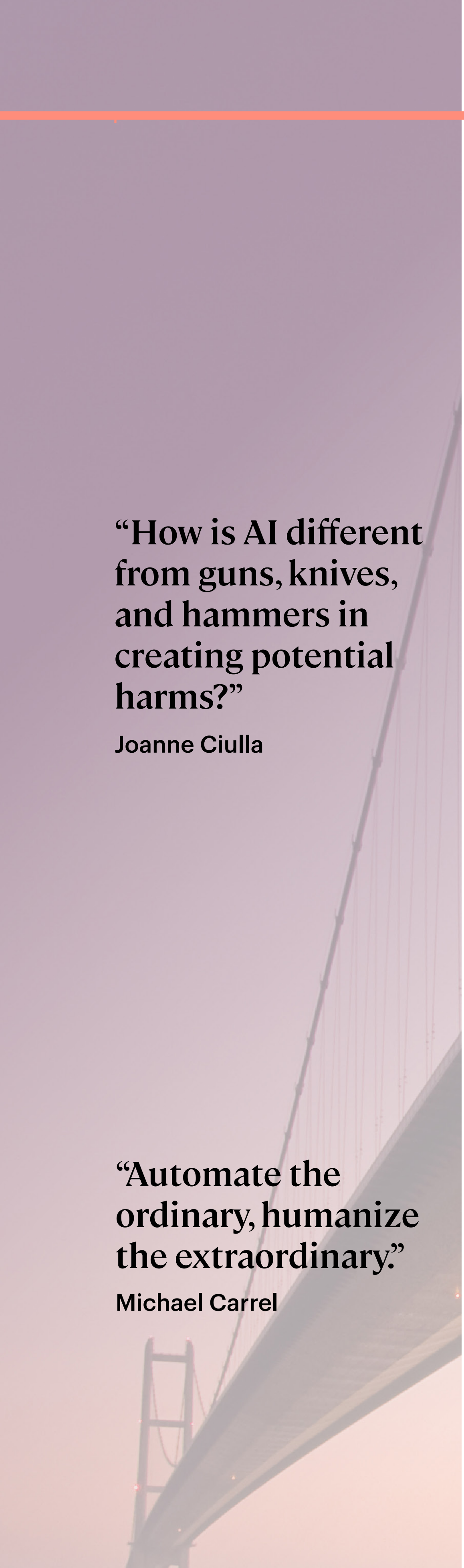
Jim Mitchell laughs expressively as George Nichols and Azish Filabi regard with amusement.

Think Before You Automate: Prioritize Ethics in AI

Joanne Ciulla observed that every ethical dilemma discussed during this Forum had to do with trust. Ciulla guided the group through a provocative thought experiment relating to accountability. She began by sharing a popular adage: "guns don't kill, people do." With this frame of reference in mind, Ciulla then asked the group to contemplate what the counter argument is about AI. She added, "How is AI different from guns, knives, and hammers in creating potential harms?" Drawing from her keen interest in helping leaders develop critical thinking skills, she noted that her thought experiment helps uncover key concerns about AI. Ciulla shared, "Leaders must recognize the immense potential and risks involved in AI surpassing human decision-making and commit to ensuring responsible AI development for a sustainable future."

Discussion

The group was fascinated by the thought experiment Ciulla introduced. They reflected on AI potentially surpassing human decision-making capabilities and what that could mean – a loss of human control and potentially harmful outcomes if not carefully managed. In thinking about a parallel to "guns don't kill, people do," Michael Carrel articulated, "Automate the ordinary, humanize the extraordinary." Carrel highlighted that the idea here is about delivering a better experience and leaning into what is in alignment with vision and strategy, and that's the key leadership principle.



"How is AI different from guns, knives, and hammers in creating potential harms?"

Joanne Ciulla

"Automate the ordinary, humanize the extraordinary."

Michael Carrel

Joanne Ciulla weighs a matter while Azish Filabi and Derek Leben are amused.

Azish Filabi suggested another adage, "AI doesn't make mistakes, people do." Filabi noted that it raises the question about accountability for those mistakes and requires understanding of the chain of decision-making. Furthering this consideration, she queried the group on their thoughts regarding whether embedded AI changes accountability. In an attempt to highlight the unwanted outcomes of leveraging AI, JoAnne Breese-Jaeck responded, "Do guns and tables differ in how they invite agency?"

There was some agreement in the group that AI does, indeed, take the agency away from people. The group also considered the rapid speed of AI's unintended impacts. Thinking about Breese-Jaeck's question, Jim Mitchell wondered about the nature of AI and what makes it anonymous. Mitchell remarked, "There's something less personal about a gun than a table."

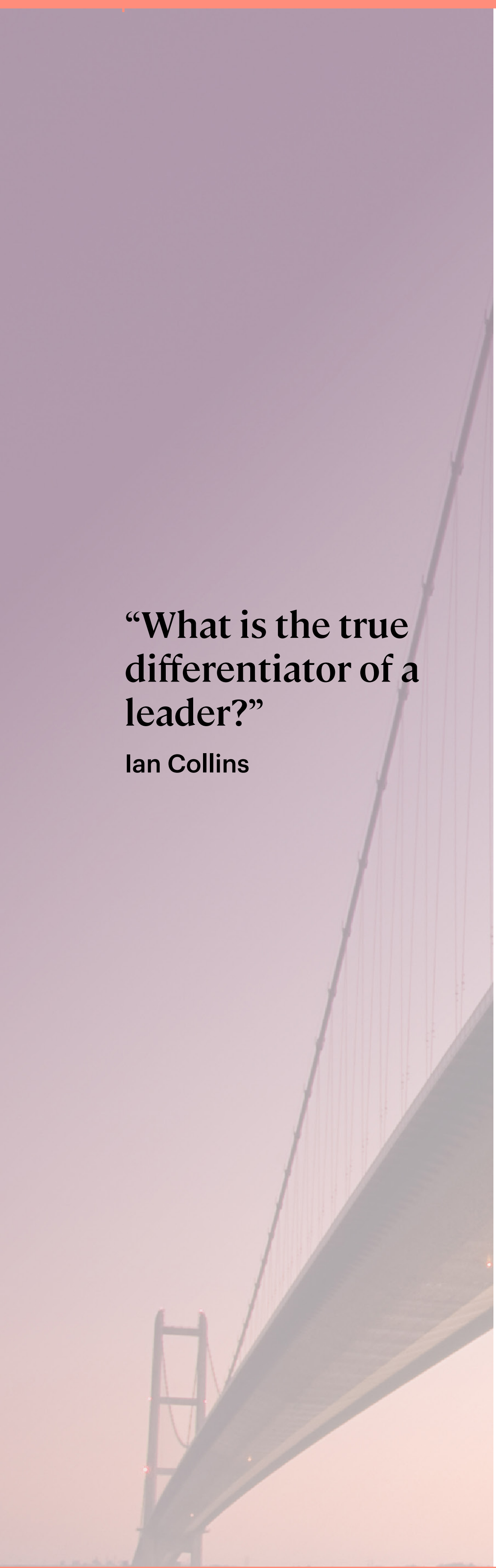
The group also considered real-world scenarios where the human touch still matters. For instance, Carrel brought to bear that humans specialize in creating emotional connections and providing comfort in the realm of financial products like life insurance. Carrel referred to these as "mission moments" that AI cannot replicate; AI cannot be there for a grieving family in the same way that a human can when there is a death claim.

Jim Mitchell, Azish Filabi, and Joanne Ciulla delight in the dialogue.

The discussion turned to whether it is realistic to expect humans to constantly monitor AI. The group referenced the case of Gonzales v. Google (2023), which sheds light on understanding whether social media AI tools aid and abet, enable, and empower all degrees of control and power. In this case, the United States Supreme Court declined to rule on whether targeted recommendations by a social media company's algorithm would fall outside the liability of Section 230 of the Communications Decency Act.

The group concluded that there is no easy answer to addressing whether it's realistic to constantly have a human in the loop when leveraging AI. When it comes to AI, the group considered it crucial that leaders train their brains to be open to change and readily adjust to current information by constantly learning and challenging existing beliefs.

Ian Collins asked the group to consider what it is that leaders are not thinking about when leveraging AI. Building on Collins's query, Filabi shared that the National Institutes of Health are looking at the cognitive impacts of generative AI. She added that there are these consequences we haven't even experienced yet. A brief discussion ensued about the speed at which AI is evolving and the consequences of when it makes mistakes. This triggered JoAnne Breese-Jaeck to ask, "What is it that leaders do that AI cannot do?"



> **“What is the true differentiator of a leader?”**
>
> **Ian Collins**

George Nichols responded, “As a leader, I decide when to use AI and when not,” for both the organization and for personal purposes. Reflecting on Nichols’s comment, Carrel returned the group’s attention to Ciulla’s insight that trust is the foundation upon which everything else depends. Borrowing from Stephen Covey’s work on trust, Carrel emphasized that leaders have character and competence, and that trust is a function of these two things. He underscored that AI can’t demonstrate authentic care, and that trust will come from competence and care.

Provoking deeper reflection, Collins questioned what the true human benefit is that leaders bring to their position. Collins asked, “What is the true differentiator of a leader?” He wondered, is it the sum of confidence leading to character that drives leadership? The group agreed with Carrel who responded that humans are still creating new knowledge, new products, and novel solutions. What the group elevated as most important as a differentiator of a leader is the social interaction in which they engage. Breese-Jaeck masterfully concluded, “Human-to-human interaction will be the luxury good of the future.”

Our Team of Leaders in Applied Ethics

Your Ethic*ally* In Financial Services

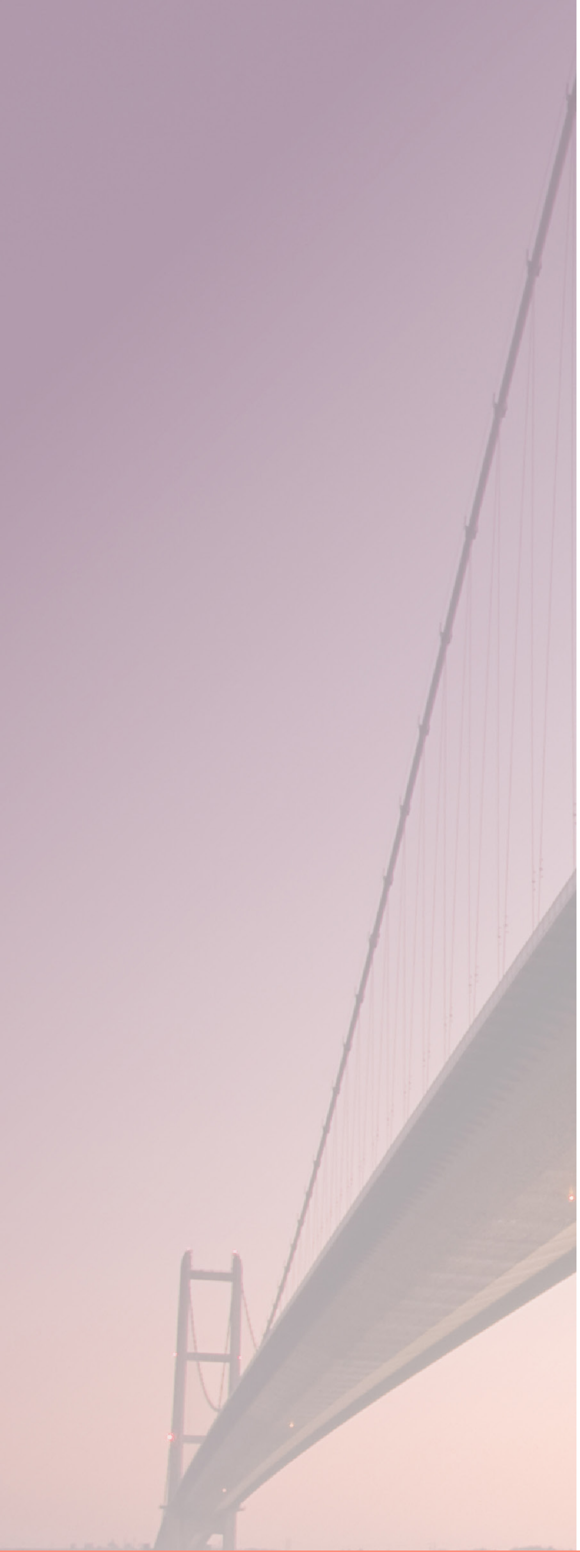
THE AMERICAN COLLEGE
CARY M. MAGUIRE
CENTER FOR ETHICS
IN FINANCIAL SERVICES

As the only ethics center within an academic institution focused solely on financial services, the American College Cary M. Maguire Center for Ethics in Financial Services is uniquely positioned to help professionals and organizations be more sensitive to ethical issues and think more critically about solutions that benefit society.

The Center's Forum on Ethical Leadership in Financial Services brings together thought leaders, academics, and industry luminaries for challenging and valuable discussions on the biggest ethical questions facing the financial services profession. This annual event emphasizes collaboration and conversation among academics and executives.

In 2008, Ethisphere, a global publication dedicated to examining the important correlation between ethics and profit, recognized James A. Mitchell for his dedication to business ethics by including him in the "100 Most Influential People in Business Ethics". The list recognizes individuals for their inspiring contributions to business ethics. The Center for Ethics is grateful for the support of the Mitchell family, whose generous contributions since 2001 have helped sustain meaningful conversations about ethical leadership in financial services.

Appendix



Educators and learners have the Center's permission to use this case study for educational purposes, with proper attribution; we suggest the citation below. All others, please inquire if you wish to use the information.

Filabi, A. (2025). Responsible AI in Financial Services. In The Twenty-Fourth Annual Mitchell/The American College Forum on Ethical Leadership in Financial Services. The American College Cary M. Maguire Center for Ethics in Financial Services. **https://www.theamericancollege.edu/centers-of-excellence/center-for-ethics-in-financial-services**

Case Study: Responsible AI in Financial Services

By, Azish Filabi, JD, MA
Managing Director, The American College Maguire Center for Ethics in Financial Services
Associate Professor and Charles Lamont Post Chair of Business Ethics

Technology strategy has increasingly become a driver of business strategy. While early tech innovations centered around the data and infrastructure needs that support a company's products and services, AI now promises to transform entire companies, industries, and human resources.

OpenAI publicly released Chat GPT in November 2022, enabling AI to become a prime area of focus for industry innovation. In 2023, CEOs said that navigating generative AI was the top priority for the coming year.[1] Some news sources report this year that while the AI-frenzy has tempered, investments in AI continue to rise, estimating increases from $19.4 billion in 2023 to nearly $40 billion anticipated in 2024.[2] CEO surveys looking forward to 2025 reflect a desire for returns on investments by using AI to enhance productivity, and, increasingly, using AI to develop new streams of revenue.[3] Project lifecycles are counted in months, not years.

How AI impacts the financial industry will depend on companies' abilities to steer away from the short-term promises of AI products, towards a perspective on how technology can enhance business fundamentals, delivering long-term value for stakeholders. To achieve those goals, responsible AI must be at the center of strategy. The following sections describe some dynamics that make responsible AI integration challenging: (1) flaws in predictive AI; (2) performance issues; (3) privacy and bias; and (4) safety vs. speed.

Predictive AI Has Fundamental Flaws

AI can create trustworthiness issues for various reasons. One area of concern is when companies use AI to predict the future. Professors Narayanan and Kapoor write in their 2024 book, AI Snake Oil, that one reason predictive AI is susceptible to problems is because a good prediction is not the same as a good decision. Predictive AI is popular in algorithms attempting to predict who will be good employees for hiring; medical algorithms predicting which patients are likely to need the most care; education algorithms trying to predict which students are most likely to fail (or succeed). Many of these systems rely on correlation as synonymous with causation, leading to incorrect decision analyses. Moreover, while some will make accurate predictions based on the past data in the system, they are not necessarily making good decisions for those individuals or organizations.

To demonstrate this point, Narayanan and Kapoor describe an AI model designed to predict which pneumonia patients are at risk of complications or death. Researchers analyzing the AI system found that it was highly accurate, more so than humans, in its predictions! That sounds like good news, but upon further analysis they discovered some anomalies – e.g., the model predicted that asthma patients had a lower risk of complications from pneumonia. The AI system would have recommended that those patients go home earlier. The system failed to take into consideration that the data used to train the model was based on the fact that those patients had lower complications because the doctors had already triaged them upon arrival; thus, they received more attentive care and therefore became low risk patients due to human intervention. The model was effective at identifying low risk patients, but it would have made the wrong decision.[4]

While the developers of some AI models are optimistic about their ability to predict the future, they sometimes fail to consider the ways in which the future is inherently unpredictable because it is constantly changing. Additionally, the datasets used often don't have feedback loops that consider the impact of the decisions made by the algorithm, or the myriad ways that human behavior is irrational or random.

Predictive AI is particularly precarious when used for sensitive, life altering decisions such as employment, criminal recidivism, allocating healthcare resources, and financial services. In fact, the EU AI Act has identified as "high risk" (and subject to further scrutiny) systems used in certain decision-making domains, including evaluating candidates for jobs, credit scoring of individuals, and risk assessment and pricing of life and health insurance.

In an ideal world, good internal governance and industry regulatory frameworks would catch these anomalies (in the example above about pneumonia patients, it did!). In the current business environment, the governance systems may not be prioritizing responsible AI.

Poor Performance: AI makes mistakes, regularly

No system is perfect; understanding how AI makes mistakes can ideally help us better navigate when and where to responsibly use AI systems. The key question for responsible AI is whether companies are using the system for a critical service, and what governance or due process is available for those impacted by its performance.

Poorly performing AI can lead to false positives (e.g., facial recognition falsely identifying someone as a criminal suspect),[5] or false negatives (failing to identify a fraudulent credit card transaction). More advanced generative AI systems tend to make stuff up, which some call "hallucinations." Researchers in 2023 estimated chatbot inaccuracies in the range of 3% to 27%.[6]

Performance issues are already impacting professional practice. In 2024, a financial advisor hired as an expert witness used a generative AI system for support on his financial calculations relating to a trust and estates dispute. The court denied the advisor's report into evidence because he could not recall what input or prompt was used, what sources the system relied upon, whether the calculation took into consideration any tax implications or fees and could not explain any details about how the system works or how it arrives at a given output.[7]

In another incident, a court sanctioned two lawyers in New York for their use of fake citations generated by Chat GPT.[8] They cited as precedent two cases in their legal brief that never existed in real life. They were sanctioned for their lack of diligence and breach of duty of care.

On one hand, some people believe that these situations are ones in which individuals should have been more diligent, like any other failure of professional responsibility. On the other hand, people increasingly rely on AI systems that are embedded into technology without their knowledge; additionally, even if they are aware, understanding how systems actually work is elusive. For example, the lawyer in the case above knew that Chat GPT could render unreliable information (there is also a disclaimer on the chatbot that indicates this); before he decided to use the cases, he asked the system, in a follow up prompt, whether the cases presented were real cases, and the chatbot responded that "yes" they were real.

Who should be held accountable for AI systems that misguide and misinform professionals? Given the widespread use of generative AI systems, the legal system is challenged with managing how any use of generative AI can be appropriately integrated into commerce, and how (absent mandatory transparency rules) judges will even know if generative AI was involved.

Privacy and Bias Challenges

In 2022, attorney Kelly Conlan was taking her daughter to see a show at Radio City Music Hall. Soon after she entered the venue, police officers tapped her on the shoulder, identifying her by name. The venue's facial recognition technology had flagged her presence. She was forced to leave the venue because she was on an attorney exclusion list created by the venue owners that bans lawyers (and employees of their entire firm) who are in active litigation with the company from using their facilities.[9]

This punitive use of facial recognition technology by private owners is an example of AI performing accurately but flouting its intended initial purpose as a protective security measure. Use of live (real time) biometric technologies are prohibited in public spaces under the EU AI act. The EU AI Act is comprehensive AI regulation that will go into effect in 2026.[10] The Act establishes rules based on the potential risk created by an AI system; in addition, the rules ban some systems outright (e.g., biometric identification, and social scoring systems that classifying people based on behavior, socio-economic status or personal characteristics).

The privacy and bias challenges of AI have been on the policy agenda for many years, particularly since big data analytics and algorithms became more prominent tools in business and government. This topic is far ranging and complex, due to state level privacy laws (not federal) and the chain of third party data owners that control (and sell) various data and related technologies. In financial services, the key considerations are 1) fair data collection and use practices; 2) the explainability limitations of AI; and 3) the amplification of biases through AI-enabled systems.

The American College Cary M. Maguire Center for Ethics in Financial Services has conducted research on life insurance highlighting key issues and potential pathways towards risk mitigation. In February 2025, the Center for Ethics is having a closed-door virtual forum to continue the conversation about approaches to risk mitigation. The following articles might be of interest to those involved in managing AI risk in this domain:

- **AI-enabled Underwriting Brings New Challenges for Life Insurance** (NAIC Journal of Insurance Regulation, Azish Filabi & Sophia Duffy)
- **AI, Ethics, and Life Insurance: Balancing Innovation with Access** (Maguire Center for Ethics, Azish Filabi & Sophia Duffy).
- **AI Regulation: From principles to laws, consumer protection can galvanize AI regulation** (Reuters, Azish Filabi)

Safety vs. Speed: Competitive pressures in the race to lead AI

Despite these governance and safety challenges, the AI "arms race" is at full force and industry continues to invest heavily in AI (as cited in the intro paragraph above).[11] Market research reports indicate that AI integration has moved along a maturity model, and UBS optimistically revised their technology growth forecast up in Q3, in anticipation of continued spending on AI.[12]

Simultaneous with this growth, in May 2024 Open AI disbanded the Superalignment team, which had been focused on long-term AI safety risks. They created a board-level safety committee instead. This centralized approach was criticized in the press, given the governance issues faced by Sam Altman (Altman is one of three members of the safety committee).[13 14] The safety team was disbanded upon the departure of team leaders Ilya Sutskever (OpenAI co-founder) and Jan Leike. Upon departing, Leike stated his belief that OpenAI's "safety culture and processes have taken a backseat to shiny products."

Google appears to have opted for a decentralized approach to responsible AI. In 2020, Google's firing of Timnit Gebru, co-leader of their Ethical A.I. team and one of its best-known Black female employees, garnered headlines and subsequent departures of responsible AI staff.[15] In January 2024, its long-time head of Responsible Innovation departed.[16] Their current approach includes a Responsible AI User Experience team in research,[17] as well as companywide guiding principles,[18] and promoting ecosystem frameworks like the Secure AI Framework (**SAIF**) and the **Frontier Safety framework**.

Open AI's board governance issues relating to Sam Altman demonstrate the tug between speed over safety among technology leaders. To recap, in 2023, OpenAI board of trustees recommended the removal of Sam Altman as CEO. Altman was reinstated approximately 12 days later.[19] The newly constituted board conducted an independent investigation by an outside law firm; the report, released in March 2024, attempted to assure stakeholders that while there was a breakdown in trust with the prior board, there were no specific concerns about AI safety or speed to market.[20] Then-board member Helen Toner, however, affirms the Board's accusations that Altman misrepresented information, including about safety processes and his personal conflicts of interest.[21]

Of growing importance is also the nuanced debate about the types of responsible AI issues that should be on the governance agenda. Some believe that the safety of "frontier AI" systems need to be actively managed. Sometimes called the problem of AI alignment or AI safety, companies like Anthropic (an Open AI competitor) indicate in their Responsible Scaling Policy that they will evaluate models to determine whether to delay release when they find harmful capabilities (e.g., instructions for creating weapons).[22] Others believe that emphasis on the future risks of catastrophic AI are supplanting the more immediate risks of AI bias in current systems.[23] On this topic, I've co-authored a paper titled ***Adaptable Artificial Intelligence***, advocating for a unified approach relating to adaptability, which describes the capacity of an AI system's behavior to maintain helpfulness and harmlessness as societal understandings of these concepts evolve.[24]

Beyond big tech, managing safety versus speed will have downstream impacts on other industries. Financial regulators have been first movers of regulation of AI in financial services; most other regulators and governments express caution about the negative effects of AI use and only provided guidelines thus far.[25] The European Union is a notable exception, having passed the AI Act in 2024. In the U.S., the 2023 Biden Administration's Executive Order on AI addresses national and economic security concerns but does not directly regulate technology used by industry or consumers. President-elect Trump indicates that he will overturn the Biden Executive Order.

One effect of the current stalemate in AI regulation in the U.S. is that it exposes business activities to increased demands from consumers, employees, and the general public to address negative effects. Given the current pace of technology development, corporate leaders have no choice but to move forward with AI-integration, while stakeholders simultaneously insist on increased ethical behavior. Notably, now that generative AI chatbots and image/voice generators are publicly available, and employees are using them, putting the genie back in the bottle is impractical. It's notable, however, that financial advisors are "late adopters" of ChatGPT, based on data collected in Denmark, as reported in The Economist.[26] In the U.S., similar data about adoption rates aren't available, although one report indicates that approximately one third of financial companies prohibit employee use of generative AI.[27] Balancing safety versus speed will be up to corporate leaders.

Case Questions

1. **AI Opportunities:** How are financial companies using AI today? Have speed-to-market pressures faded since 2022?
   - What are your thoughts on how financial companies can balance speed and safety? What opportunities do you see to mitigate these pressures?

2. **AI Governance Within Companies:** I wrote above that in an ideal world, good internal governance and industry regulatory frameworks would address AI risks before they impact people. And that in the current business environment, responsible AI is not prioritized by internal governance systems. Do you agree with this statement?
   - **Governance Models:** What are your thoughts on ideal corporate governance of AI models? For example, would an AI Ethics Committee at either the level of the Board of Directors, or internally within and among a company's corporate functions help manage AI ethics risk? Do you advocate for a centralized approach, or a decentralized approach?
   - **Vendor Management Risks:** Does the dismantling of AI safety teams at big tech companies change the landscape for AI governance at financial services companies? For those that work with third-party AI vendors, what is needed to better mitigate the reportedly poor governance of AI systems by some vendors?

3. **Predictive AI:** How do you think the Narayanan and Kapoor's AI Snake Oil descriptions relate to financial services? Financial companies are consistently trying to predict the future through risk assessment, risk management, and targeted marketing for less risky clients. Does AI improve this prediction task? How might it complicate governance?

4. **Education Needs:** There's a learning curve with AI. Many users are not even aware that they are engaging with AI, often because the technology is seamlessly embedded in email or search features. What education and training challenges have you faced among your workforce? What about among stakeholders (e.g., regulators) – is there an education component in the ecosystem? How can ethics education help address the education needs relating to this topic?

5. **Managing Blackbox Algorithms:** The lack of explainability of AI-enabled algorithms (particularly the deep learning systems that use more complex neural network processes) is particularly problematic for financial services because consumers have a right to an explanation in some decisions (e.g., for credit applications). What practices have you experienced that can help ensure that AI-driven algorithms are not only accurate but also explainable? How can you hold AI systems accountable for recommendations? Does a "human in the loop" approach help with this challenge?

6. **Existential Risks to Society:** In addition to the risks to business, there is a set of risks to society that are existential, such as national security risk, the effects of disinformation on our democracy, or job displacement with advanced technology. What role do business leaders have in managing those risks? Are there other AI risks that keep you up at night that we've not discussed?

Notes

[1]Hatami, H. & Segel, L.H. (2023, December 12). What matters most: Eight CEO priorities for 2024. McKinsey & Company. https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/what-matters-most-eight-ceo-priorities-for-2024?stcr=394A106D8BD3483F97F8ED2B6AF5EC98&cid=other-eml-alt-mip-mck&hlkid=d52554343d07492f8867169931355db9&hctky=1433588&hdpid=ea537095-c413-4788-8033-0829f9c2f202

[2]Bousquette, I. (2024, July 30). For Many Companies, Spending on AI Means Spending on Microsoft. https://www.wsj.com/articles/for-many-companies-spending-on-ai-means-spending-on-microsoft-1f994a02

[3]PWC, Leadership Insights: What's Important to the CEO in 2025. (retrieved, December 12, 2024) https://www.pwc.com/us/en/executive-leadership-hub/ceo.html

[4]Narayanan, A. & Kapoor, S. *AI Snake Oil*. Princeton University Press. (2024)

[5]State of Minnesota v. Archambault, 62-CR-20-5866 (September 13, 2024) https://www.washingtonpost.com/documents/9ac41cd9-6274-4c2d-8379-357d73ae7268.pdf?itid=lk_inline_manual_19

[6]These error rates were demonstrated by requesting a relatively simple task of a chatbot, which was to summarize news articles it was provided via a prompt, and then reviewing its results. Metz, C. (2023, November 16). Chatbots may 'Hallucinate' more often than many realize. The New York Times. https://www.nytimes.com/2023/11/06/technology/chatbots-hallucination-rates.html?searchResultPosition=4

[7]Matter of Weber, 2024 NY Slip Op 24258. (Decided on October 10, 2024) https://law.justia.com/cases/new-york/other-courts/2024/2024-ny-slip-op-24258.html

[8]Milmo, D. (June 23, 2023). Two U.S. Lawyers fined for submitting fake court citations. The Guardian. https://www.theguardian.com/technology/2023/jun/23/two-us-lawyers-fined-submitting-fake-court-citations-chatgpt

[9]Hill, K. & Kilgannon, C. (December 22, 2022). NY Times. https://www.nytimes.com/2022/12/22/nyregion/madison-square-garden-facial-recognition.html

[10]European Parliament, Topics. EU AI Act: first regulation on artificial intelligence. (Published June 8, 2023; updated June 18, 2024). https://www.europarl.europa.eu/topics/en/article/20230601STO93804/eu-ai-act-first-regulation-on-artificial-intelligence

[11]For 2023 figures, see Berber, J., & Dotan, T., (2023, November 5). Tech Giants spend billions on AI startups- and get just as much back. The Wall Street Journal. https://www.wsj.com/tech/ai/ai-deals-microsoft-google-amazon-7f624054

[12]UBS, Technology and communication, Equities, Big tech's AI spending should continue to support the AI trade (2024, November 4) https://www.ubs.com/global/en/wealthmanagement/insights/marketnews/article.1615559.html

[13]Field, H. (October 24, 2024). OpenAI disbands another safety team, as head advisor for 'AGI Readiness' resigns. CNBC.com https://www.cnbc.com/2024/10/24/openai-miles-brundage-agi-readiness.html

[14]Field, H. (May 17, 2024). OpenAI dissolves team focused on long-term AI risks, less than one year after announcing it. CNBC.com https://www.cnbc.com/2024/05/17/openai-superalignment-sutskever-leike.html

[15]Wakabayashi, D. (December 9, 2020). Google Chief Apologizes for A.I. Researcher's Dismissal. NY Times. https://www.nytimes.com/2020/12/09/technology/timnit-gebru-google-pichai.html

[16]Dave, P. (January 31, 2024). Google Splits Up A Key AI Ethics Watchdog. Wired. https://www.wired.com/story/google-splits-up-responsible-innovation-ai-team/

[17]Responsible AI at Google Research: User Experience Team. (January 8, 2024). https://research.google/blog/responsible-ai-at-google-research-user-experience-team/

[18]AI Principles, Google (retrieved December 12, 2024). https://ai.google/responsibility/principles/

[19]Patel, N. and Heath, A. (2023, November 22). Sam Altman to return as CEO of OpenAI. The Verge. https://www.theverge.com/2023/11/22/23967223/sam-altman-returns-ceo-open-ai

[20]The report stated: "...prior Board's decision did not arise out of concerns regarding product safety or security, the pace of development, OpenAI's finances, or its statements to investors, customers, or business partners." https://openai.com/index/review-completed-altman-brockman-to-continue-to-lead-openai/

[21]The TED AI Show, Interview by Bilawal Sidhu of Helen Toner, posted on Spatial Intelligence: Helen Toner on Firing Sam Altman - What REALLY Happened at OpenAI. (retrieved December 12, 2024). https://www.youtube.com/watch?v=SnlbbA0xmZ8

[22]Schechner, S. Their Job Is to Push Computers Toward AI Doom. Wall Street Journal. (December 12, 2024). https://www.wsj.com/tech/ai/ai-safety-testing-red-team-anthropic-1b31b21b?mod=Searchresults_pos1&page=1

[23]Piper, K. There are two factions working to prevent AI dangers. Here's why they're deeply divided. Vox. (August 10, 2022). https://www.vox.com/future-perfect/2022/8/10/23298108/ai-dangers-ethics-alignment-present-future-risk

[24]Filabi, A., Masi, N., Pavlick, E., & Picone, R. Adaptable Artificial Intelligence. Journal on AI Policy and Complex Systems. (Vol. 9, No. 1, Winter 2024).

[25]Filabi, A. (2023, August 3). From principles to laws: Consumer protection can galvanize AI regulation. Reuters. https://www.reuters.com/legal/litigation/opinion-principles-laws-consumer-protection-can-galvanize-ai-regulation-2023-08-03/

[26]*Technology Uptake: a new gender gap*, The Economist (August 21, 2024), citing data from 100,000 workers surveyed in Denmark between November 2023 – January 2024, collected by Humlum, A. & Vestergaard, A., *The Adoption of Chat GPT*, Working Paper (2024).

[27]Randall, S. Investment News. How are financial services firms adapting to communications, AI challenges? (December 12, 2024). https://www.investmentnews.com/industry-news/how-are-financial-services-firms-adapting-to-communications-ai-challenges/258594

Acknowledgements

We sincerely appreciate the time and thoughtful engagement of all Forum participants. We acknowledge the impact of their contributions and their commitment to elevating ethical standards in the financial services industry. We also recognize the following individuals for their exceptional contributions to the development of this report: Azish Filabi, JD, MA, James A. Mitchell, CLU®, ChFC®, Teri Moentmann, and Domarina Oshana, PhD.

We would also like to extend our sincere gratitude to the American College Alliance for Ethics in Financial Services for its support, which is essential to our success.