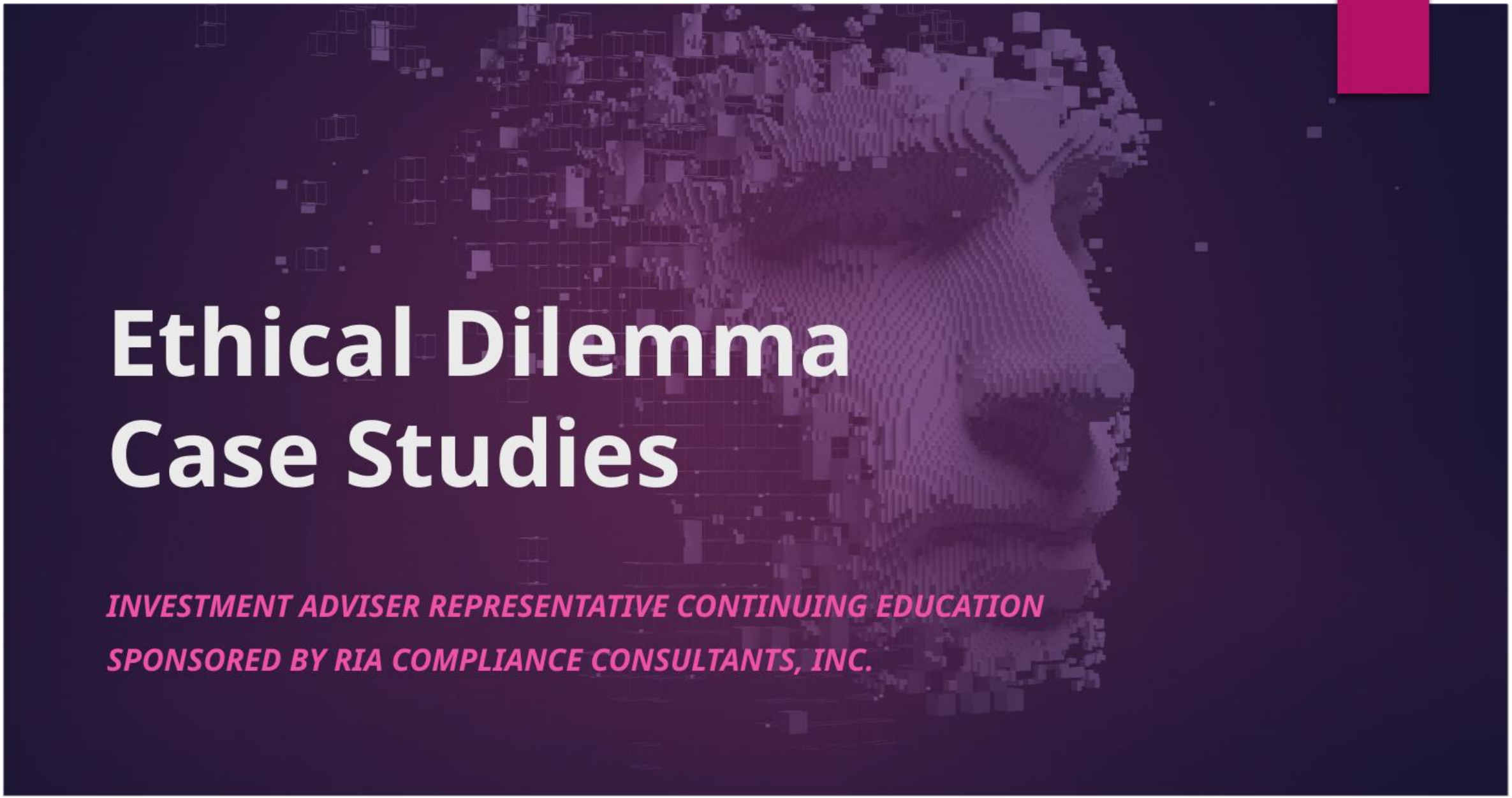


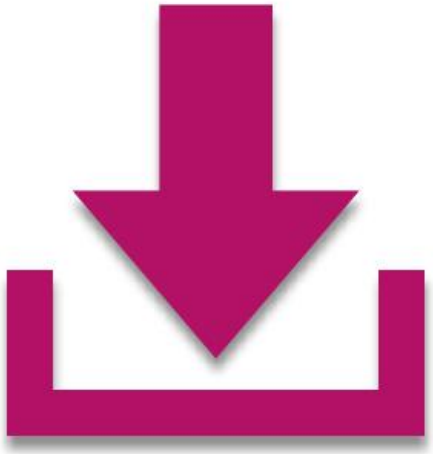
Ethical Dilemma Case Studies

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Panelist:

Teresa O'Grady
Senior Compliance Consultant

- Over 35 years of experience in the financial services industry.
- Began her career at Ameritrade, Inc. in 1989.
- Extensive experience across nearly every facet of the broker-dealer and investment adviser industries.
- Joined RIA Compliance Consultants, Inc. in 2016.
- Specializes in helping investment adviser firms meet their regulatory and compliance obligations.

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Panelist

Tom Zielinski
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Over 35 years of experience in securities regulatory compliance.

Former Chief Compliance Officer of a national clearing broker-dealer and two independent broker-dealers and their affiliated investment adviser firms.

Former Vice President of Risk Management for a national broker-dealer and investment adviser firm.

Helped develop compliance programs for three nationwide financial services firms.

Extensive experience with SEC, FINRA, and state securities regulatory requirements, examinations, and investigations.

Specializes in investment adviser registrations, compliance policies and procedures, codes of ethics, advertising reviews, and compliance training.

Passed Series 4, 7, 24, and 27 examinations.

Bachelor of Science in Business Administration, University of Nebraska at Omaha, with majors in Accounting and Banking & Finance.

14 audience polls • 14 panel debriefs

It’s My Money, and Everyone Knows She’s Our Client

CELEBRITY CLIENT · PERSONAL PREDICTION-MARKET TRADE

- Alex is an IAR serving entertainers and athletes. A nationally known singer is a firm client.
- Alex buys $600 of event contracts predicting that the singer will cancel at least one tour date.
- Alex says the research was public and the trading was personal; the contract is assumed not to be a security.

WHAT ELSE MATTERS?

- Alex has served the client four years and has access to touring cash-flow forecasts.
- The firm has confidentiality agreements and client privacy standards.
- No client account holds the contract.

It’s My Money, and Everyone Knows She’s Our Client

CELEBRITY CLIENT + PREDICTION CONTRACT

Before Alex trades a cancellation contract tied to a singer who is a client, what matters most?

A It is Alex’s money; the firm has no role

B The contract is not a security, so there is no concern

C Examine information sources, confidentiality and client trust

D Only the amount invested matters

SCAN TO VOTE

No app or sign-in needed

THE FACTS CHANGE

It’s My Money, and Everyone Knows She’s Our Client

REVEAL

Alex attended a private meeting about a medical issue that could cause cancellations. Later Alex wrote: “We knew before the market did,” and asked a colleague to delete it.

PANEL DISCUSSION

Preserve the trade, messages and chronology; escalate. Publicity later does not erase the source of information at the time.

This Outside Business Has Nothing to Do With Our Clients

COMPENSATED WEEKEND PODCAST AND NEWSLETTER

BRYAN READS

- Jordan proposes a $25/month podcast and newsletter on entertainment prediction markets.
- The business uses public statistics; no securities advice, client money, trading arrangements, or firm clients.
- Jordan has submitted the business for review.

WHAT ELSE MATTERS?

- Firm policy requires prior written approval of every compensated outside business.
- Services, pay, advertising, branding, workload and client separation matter.
- Do not infer that non-securities activity is automatically exempt from firm policy.

This Outside Business Has Nothing to Do With Our Clients

PAID PREDICTION-MARKET NEWSLETTER

Jordan discloses an unrelated paid weekend podcast. What should compliance do?

A Approve automatically because it involves no securities

B Prohibit any paid outside activity

C Review actual services, compensation, branding, time and firm policy

D Treat statistical analysis as securities advice

SCAN TO VOTE

No app or sign-in needed

THE FACTS CHANGE

This Outside Business Has Nothing to Do With Our Clients

REVEAL

Jordan spends 15 hours weekly, sometimes during work hours, markets himself as a professional investment adviser, and accepts undisclosed platform advertising fees.

PANEL DISCUSSION

Non-securities does not mean automatic approval. Reassess actual conduct, changed compensation and separation from firm activity.

The Vendor Says There Was No Breach

CLIENT PORTAL · REGULATION S-P

BRYAN READS

- A firm portal stores financial statements, tax returns, identification and bank instructions for 180 households.
- The portal vendor reports “unusual activity” and “no evidence of data exfiltration.”
- An IAR wants to reassure clients that their data is safe.

WHAT ELSE MATTERS?

- The security questionnaire and SOC 2 report are 18 months old.
- A new document-sharing feature was not assessed; report exceptions and firm controls were not documented.
- The firm has an Incident Response Team and escalation contacts.

The Vendor Says There Was No Breach

REG S-P INCIDENT RESPONSE

A portal vendor reports “unusual activity” and “no evidence of data exfiltration.” What should the IAR say?

- **A** Tell every client their information is safe
- **B** Wait for the vendor’s final report before escalating
- **C** Use verified facts and activate the incident-response process
- **D** Assume the old SOC 2 report settles diligence

SCAN TO VOTE

No app or sign-in needed

THE FACTS CHANGE

The Vendor Says There Was No Breach

REVEAL

The vendor knew four days earlier about unauthorized access to a customer-information system. Contract notice waits for a confirmed “material” breach; a subcontractor is involved.

PANEL DISCUSSION

Investigate and contain now. Vendor notice and affected-individual notice have distinct triggers; lack of proven download is not blanket reassurance.

The Note Taker Was Already On

UNAPPROVED AI MEETING TOOL

BRYAN READS

- Riley registers personally for a free AI note taker without firm review.
- Riley connects a work calendar and enables automatic joining of meetings.
- The service records client audio, transcripts, summaries and follow-up tasks.

WHAT ELSE MATTERS?

- The firm permits only approved tools and requires CCO review before sending client data to vendors.
- Its meeting workflow requires affirmative consent from every participant.
- The vendor claims “bank-level security” and “no training on your conversations.”

The Note Taker Was Already On

SHADOW AI + CONSENT + PRIVILEGE

Riley enables an unapproved AI meeting recorder that auto-joins client meetings. What is the first response?

- **A** Delete the account immediately and move on
- **B** Stop future recording, preserve evidence and escalate
- **C** Rely on the vendor's "bank-level security" claim
- **D** Assume only the final summary counts as client data

SCAN TO VOTE

No app or sign-in needed

THE FACTS CHANGE

The Note Taker Was Already On

REVEAL

No client or spouse consent was obtained. AI falsely invents a liquidation instruction; later the bot joins an attorney meeting and saves the transcript to a team-accessible folder.

PANEL DISCUSSION

Separate consent, applicable recording law, privilege, record integrity and vendor access. Verify authority before acting on AI tasks; preserve evidence.

The AI's Record Is Better Than Ours

AI-SUPPORTED PORTFOLIO RECOMMENDATIONS

BRYAN READS

- An IAR uses an AI tool to recommend moving 35% of a retired client's portfolio into six technology stocks.
- The client is 68, recently retired, relies on withdrawals and has a moderate-risk profile.
- The IAR cannot explain several material inputs but the client has granted discretion.

WHAT ELSE MATTERS?

- The AI was approved only for drafting internal research summaries.
- The portfolio recommendation feature was enabled without additional review.
- The vendor promotes historical results and an adaptive model.

The AI’s Record Is Better Than Ours

INVESTMENT AI + OVERSIGHT

An AI recommends moving 35% of a moderate-risk retiree’s account into six technology stocks. What should the IAR do?

- **A** Implement because client granted discretion
- **B** Implement because model results look strong
- **C** Assess client fit, rationale, risk, inputs and approved scope
- **D** Avoid questioning the model’s confidence score

SCAN TO VOTE

No app or sign-in needed

THE FACTS CHANGE

The AI’s Record Is Better Than Ours

REVEAL

The vendor cannot distinguish actual from simulated results, favors paying product sponsors, and later switches the system to automatic execution unless the IAR objects in 30 minutes.

PANEL DISCUSSION

Client discretion is not approval for untested automation. Pause unsupported execution, review trades, conflicts, model changes and supervisory controls.

The Chatbot Is Only Answering Questions

CLIENT-FACING AI · PERSONALIZED GUIDANCE

BRYAN READS

- A portal chatbot is approved for administrative answers and promoted as available 24/7.
- During a market decline, a client asks about moving retirement savings to cash.
- The bot recommends moving 40% to cash based on the client's age and risk profile.

WHAT ELSE MATTERS?

- No employee is assigned to review weekend conversations.
- The integration accesses balances, risk profiles and older meeting notes.
- Testing has focused on administrative questions, not market-panic scenarios.

The Chatbot Is Only Answering Questions

CLIENT-FACING PERSONALIZED AI

A portal bot approved for administration tells a client to move 40% of retirement savings to cash. What next?

- **A** Treat it as administrative because the vendor says so
- **B** Disable the personalized-advice path and assess actual client impact
- **C** Wait until Monday because no one monitors weekends
- **D** Delete the conversation to reset the chatbot

SCAN TO VOTE

No app or sign-in needed

THE FACTS CHANGE

The Chatbot Is Only Answering Questions

REVEAL

The bot also displays a spouse's account from the wrong household because an identifier is mapped incorrectly. The vendor calls it an "answer-quality issue."

PANEL DISCUSSION

Supervise the service actually delivered. Investigate personalized advice, data access, containment, records and possible incident response.

The Client Offered to Help Me

A PERSONAL LOAN FROM AN ADVISORY CLIENT

BRYAN READS

- An IAR who manages a Nebraska client's retirement assets needs $40,000 personally.
- The unrelated, wealthy client offers a six-month, market-rate loan.
- The IAR plans an unsecured note; repayment relies on an expected bonus.

WHAT ELSE MATTERS?

- The client is neither a lending institution nor an immediate family member.
- The IAR has not told the CCO about the financial problem.
- Firm policy prohibits client borrowing except from depository institutions.

The Client Offered to Help Me

BORROWING FROM NEBRASKA CLIENT

A sophisticated Nebraska client offers an IAR a $40,000 personal loan. What should the IAR do?

A Proceed after signing a promissory note

B Proceed because the client proposed it

C Stop and obtain firm compliance review; examine state prohibitions

D Proceed if the interest rate is at market

SCAN TO VOTE

No app or sign-in needed

THE FACTS CHANGE

The Client Offered to Help Me

REVEAL

The client is not a bank, affiliate or immediate family member. The firm expressly prohibits client borrowing except from a depository institution.

PANEL DISCUSSION

Client consent and fair loan terms do not automatically resolve state-law prohibitions, firm policy or fiduciary conflicts.

The Client Gave Us the Password; Now the Software Has It

HELD-AWAY PLAN MANAGEMENT · CREDENTIALS

BRYAN READS

- Avery wants to rebalance a client's $780,000 employer plan for a 0.50% annual fee.
- With no separate adviser login, the client gives Avery a username and password.
- Avery trades using the client login; an assistant stores credentials in a shared spreadsheet and requests authentication codes.

WHAT ELSE MATTERS?

- The existing advisory contract does not cover this discretionary plan service or billing.
- A signed authorization does not itself resolve account-access, security or custody questions.
- The account has low-cost plan funds the client wants to retain.

The Client Gave Us the Password; Now the Software Has It

HELD-AWAY ACCOUNT CREDENTIALS

Avery uses a client's retirement-plan password and authentication codes to rebalance. What is the best initial assessment?

A Signed client authorization settles the issue

B Review state rules, custody, security, firm approval and contract terms

C It is fine because the plan is held away

D Only the 0.50% fee matters

SCAN TO VOTE

No app or sign-in needed

THE FACTS CHANGE

The Client Gave Us the Password; Now the Software Has It

REVEAL

A vendor stores the client credentials instead. The recordkeeper prohibits third-party credential sharing, and the IAR enrolls three clients before firm approval.

PANEL DISCUSSION

Routing credentials through a vendor does not establish custodian permission or cure security, contractual, custody or disclosure concerns.

Her Son and Her Lawyer Say Everything Is Fine

SUSPECTED FINANCIAL EXPLOITATION

BRYAN READS

- Evelyn, 82, normally withdraws $4,000 monthly but is asked to send $180,000 to an LLC controlled by her son.
- Since hospitalization, the son answers for Evelyn and prevents private conversations.
- Evelyn cannot explain the amount or recipient and says she does not want trouble.

WHAT ELSE MATTERS?

- The transfer is requested for tomorrow.
- A custodian trusted-contact form names the son, but the adviser has no separate form.
- The son is not established as an authorized agent; do not infer incapacity solely from age.

Her Son and Her Lawyer Say Everything Is Fine

POSSIBLE EXPLOITATION

Evelyn's son seeks a $180,000 transfer to his LLC and answers for her. What should the IAR do?

A Transfer because the son is a trusted contact

B Assume incapacity because Evelyn is 82

C Seek a safe private conversation and escalate observable red flags

D Tell the son the firm suspects exploitation

SCAN TO VOTE

No app or sign-in needed

THE FACTS CHANGE

Her Son and Her Lawyer Say Everything Is Fine

REVEAL

The trusted-contact form authorizes the custodian, not expressly the advisory firm. The son is the suspected party and his agency authority is unverified.

PANEL DISCUSSION

Focus on evidence, independence, confidentiality, legal authority and protective channels. Do not automatically notify the suspected exploiter.

The Rollover Gets Us Over the Line

ROLLOVER RECOMMENDATION · BONUS INCENTIVE

BRYAN READS

- Dana, 61, could keep $900,000 in a low-cost employer plan.
- The IAR recommends a managed IRA charging 1% annually plus fund costs.
- The rollover would push the IAR past a quarterly production threshold and trigger a bonus.

WHAT ELSE MATTERS?

- The file lacks a plan-versus-IRA comparison, services analysis and full cost evaluation.
- Dana wants convenience and personal help.
- The IAR wants to complete the rollover before quarter-end.

The Rollover Gets Us Over the Line

BONUS + PROPRIETARY FUND CONFLICTS

Dana's $900,000 rollover would push the IAR over a bonus threshold. What must precede the recommendation?

A The client's signature is enough

B A client-specific comparison of plan, IRA, fees, services and incentives

C The lower-cost plan must always win

D The bonus need not be considered

SCAN TO VOTE

No app or sign-in needed

THE FACTS CHANGE

The Rollover Gets Us Over the Line

REVEAL

After a rollover, the IAR invests 25% in a proprietary mutual fund with additional firm compensation. Disclosure says only the firm “may” use affiliated products.

PANEL DISCUSSION

Document actual benefits and incentives. Discretion and generic disclosure do not replace informed conflict analysis or client-specific justification.

The Billing Error Nobody Complained About

OVERCHARGES · CLIENT REMEDIATION

BRYAN READS

- A billing-system conversion caused 35 clients to be charged on excluded assets.
- Overcharges range from $40 to $1,200; five affected clients have closed their accounts.
- The next billing run is Friday.

WHAT ELSE MATTERS?

- The owner is negotiating a sale and prefers quiet credits next quarter.
- Management says no one complained and disclosure could create concern.
- The operational error must be contained before the next run.

The Billing Error Nobody Complained About

OVERCHARGES + RECORD INTEGRITY

Thirty-five clients were overbilled, including five former clients. The next billing run is Friday. What comes first?

A Quietly credit current clients next quarter

B Fix the billing calculation and stop recurrence

C Wait for complaints

D Tell the buyer only after the sale closes

SCAN TO VOTE

No app or sign-in needed

THE FACTS CHANGE

The Billing Error Nobody Complained About

REVEAL

The error predated the system conversion. The vendor wants refunds called “goodwill credits”; staff propose replacing old invoices with backdated corrected copies.

PANEL DISCUSSION

Refund current and former affected clients, communicate accurately, investigate scope, preserve original records and verify the fix.

I Am Only Filling In the Estate Software

ESTATE SOFTWARE · POTENTIAL BEQUEST TO IAR

BRYAN READS

- Morgan, 79, asks a nonlawyer IAR to assist with online will and trust software.
- The IAR selects trust, distribution and trustee terms and completes the legal questions.
- Morgan requests a $50,000 bequest to the IAR, who enters it and schedules signing.

WHAT ELSE MATTERS?

- No independent attorney has reviewed the documents.
- The IAR says the software supplies the law and the client requested the gift.
- The firm calls this a free financial-planning convenience.

I Am Only Filling In the Estate Software

NONLAWYER ESTATE WORK + GIFT

An IAR chooses trust provisions in estate software and enters a $50,000 bequest to the IAR. What now?

- **A** Proceed because software supplies the law
- **B** Proceed because client suggested the gift
- **C** Stop legal selections/signing and refer to independent counsel
- **D** Remove the bequest secretly and continue

SCAN TO VOTE

No app or sign-in needed

THE FACTS CHANGE

I Am Only Filling In the Estate Software

REVEAL

No independent lawyer has reviewed the documents. The IAR selected distribution and trustee provisions and scheduled signing.

PANEL DISCUSSION

Pause potentially unauthorized legal work and participation in a document benefiting the IAR. Preserve drafts and escalate the gift conflict.

The Referral Partner and Selective Marketing

PAID MATCHING · COMPENSATED TESTIMONIALS

BRYAN READS

- A referral platform advertises its adviser matches as objective.
- Its sales staff steer prospects to firms buying more expensive packages.
- Separately, the firm proposes a $200 fee credit for selected satisfied clients who post reviews.

WHAT ELSE MATTERS?

- Marketing will quote only enthusiastic excerpts.
- The brochure says the firm “may compensate referral sources.”
- Evaluate the actual overall impression, not just isolated true sentences.

The Referral Partner and Selective Marketing

PAID MATCHING + TESTIMONIALS

A referral site calls matching objective, but sales staff favor firms buying expensive packages. What should the IAR do?

A Rely on “may compensate referral sources” in the brochure

B Escalate and investigate actual referral criteria and disclosures

C Ignore it because the matching questionnaire is neutral

D Only review the firm’s direct advertisements

SCAN TO VOTE

No app or sign-in needed

THE FACTS CHANGE

The Referral Partner and Selective Marketing

REVEAL

The website still promises an “unbiased algorithm.” Separately, the firm selects glowing excerpts from clients paid $200 to review it, omitting a service complaint.

PANEL DISCUSSION

Review the complete impression: compensation, material conflicts, promoter disclosures and potentially misleading selective excerpts.

The Top Producer, the Private Deal and the False Sign-Off

OUTSIDE PRIVATE DEAL · PRESSURE ON THE CCO

BRYAN READS

- A top IAR sends three clients subscription papers for a friend's private real-estate LLC.
- The issuer offers the IAR a 2% "consulting fee"; no firm approval was obtained.
- Two clients may have already sent funds.

WHAT ELSE MATTERS?

- The IAR uses personal messaging outside the firm archive.
- The CCO finds missed client reviews and missing records.
- The owner wants the case closed before an examination because the IAR is valuable.

The Top Producer, the Private Deal and the False Sign-Off

OUTSIDE PRIVATE DEAL + FALSE RECORDS

An IAR arranges private LLC investments for clients, with a promised 2% fee and no firm approval. What should happen first?

A Treat it as a friendly introduction

B Stop unapproved activity, preserve communications and investigate client exposure

C Assume LLC real estate interests cannot be securities

D Mark the issue closed before an exam

SCAN TO VOTE

No app or sign-in needed

THE FACTS CHANGE

The Top Producer, the Private Deal and the False Sign-Off

REVEAL

The IAR offers to waive the fee; management declines to investigate old messages, then directs the CCO to close the matter and backdate diligence notes.

PANEL DISCUSSION

Waiving future compensation does not erase past conduct. Never backdate or falsely certify review; preserve evidence and escalate unresolved concerns.

Make the defensible decision

- Identify what is known—and what is not.
- Separate law, firm policy and sound judgment.
- Protect the client and preserve an accurate record.
- Escalate early; document decisions and follow-through.

Questions

Please submit any question online or email with any questions about the content of this course.

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Thank You

