Expert Securities Arbitration Attorney Speaks in New York City

My practice focuses on stockbroker misconduct cases frequently heard through FINRA or securities arbitration.

If you think our President has it all under control and the market is only going to go up for the next seven years, this is a good time to go to the bathroom.

If you think the markets may cycle and rising interest rates are going to create a tidal wave of defaults and a ton of naked bodies will be exposed on Wall Street in the next market crash, listen up.

All brokerage firms require a customer sign an arbitration clause when opening an account. While most people are familiar with the big firms like Merrill Lynch, Morgan Stanley and Citigroup, there are over 4,500 brokerage firms in the country. FINRA and the SEC rules do not allow brokerage firms to put a class action waiver in its customer agreements. Accordingly, many lawyers in this practice niche appreciate that depositions and interrogatories are not allowed, no motions to dismiss and you can occasionally try a case and they are fun because you have no idea what anyone is going to testify to. The process is governed by the FINRA Code of Arbitration. Over the last few years, I have had great synergies working with the class action bar as I pursued arbitration claims against the selling broker-dealer while they pursued class actions against the issuers of some of these Wall Street products.

Otherwise, as interest rates rise, we are going to see cases involving private placements, alternative investments and bonds skyrocket.

Margin borrowing is higher now than it was in 2008 and Wall Street has sold billions of dollars' worth of alternative investments that are further leveraged. We got a taste of this recently in Puerto Rico where UBS sold a series of leveraged bond funds concentrated in Puerto Rico debt which saw billion dollars disappear almost overnight.

Since this is a mass tort conference, let me tell you these cases are another mass tort. My attention over the past few years has been on Wall Street products that implode creating hundreds or thousands of victims all complaining about the same investment. In most of my cases, blaming the stockbroker is like blaming the pharmaceutical sales rep, who sold the investment in the manner they were trained to sell it. Most of my cases now focus on private placements, illiquid alternative investments and leveraged funds. We focus on investments that failed to perform as designed or were marketed as being conservative when it was speculative and the investors lose millions.

The Wall Street Journal reported earlier this week that arbitration claims involving private placements are on the rise. For example, we recently settled a claim against an investment bank on behalf of 50 investors in a private placement for a 'tech" company that failed within months. Our basic theme was that the only thing good about the deal was the investment banking fees the brokerage firm earned and their due diligence was inadequate or negligent. And, many of you will love this, we filed four group actions rather than 50 individual claims under FINRA rules. While class actions are not permitted, other than the big banks, most brokerage firms will allow us to group claims together because FINRA assess approximately 5 thousand dollars for each individually filed claim.

However, there is a logic to the work that I do and I love claimants from central casting claimants, elderly, retired or have a conservative risk profile. In this low interest rate environment, we see many cases involving elder financial fraud and abuse. Every day in this country 10,000 people turn 65. I have plenty of great stories about bad brokers ripping off the elderly, but the real volume of cases comes from Wall Street product failures frequently sold by second-tier firms that have armies of brokers pushing high yield products including illiquid REITs and other alternative investments which they pitch as not being correlated to the market.

The securities industry claims to be remodeling its supervisory system to help identify cases of elder fraud, but this is the fox guarding the hen house. Many recent rules being touted by the securities industry is intended to help brokers stop predatory family members from raiding grandma's brokerage account, not to stop their own predatory actors.

We are currently involved in the Woodbridge Ponzi scheme which broke earlier this year when the SEC accused Woodbridge of operating a 1.2 billion dollar real estate Ponzi scheme using a series of unregistered "financial advisors" to solicit elderly investors around the country to purchase real estate notes secured by a first lien mortgage. Now we have 1,200 investors wondering whether the nursing home is going to kick them out on the street because they lost their life savings.

What to look out for:

1. Bad investments;
2. Bad brokers;
3. Bad firms;
4. Substantial drop in value in any particular investment especially illiquid or complex products;
5. Active trading, churning or anything a firm is maximizing its fees, commissions, markups or costs at the investor's expense;
6. Ponzi schemes;
7. Selling away; and
8. Elder financial abuse.

I love talking about these claims and these types of cases. E-mail me at ssilver@silverlaw.com and I will forward you my securities arbitration primer published in AAJ trial magazine and I am always happy to answer any questions about this area of law.

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