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Updated Wednesday, March 20, 2013 as of 3:47 PM ET

INDUSTRY - WIREHOUSES

Panel Rejects Morgan Stanley's Claim Against Former Broker

A Financial Industry Regulatory Authority arbitration panel has shot down requests for compensatory damages from both Morgan Stanley and one of its former brokers following a dispute tied to an alleged breach of promissory note agreements.

The case is the latest example of how deals for sign on packages can sour when a new position at a financial services firm does not work out. Morgan Stanley brought the case against the former broker, Barney Greengrass, in December 2010 following his departure from the firm, and requested as much as $1.14 million in compensatory damages.

Greengrass responded with his own claims of fraud, negligent representation, promissory estoppel and breach of contract, according to the FINRA arbitration filing. Greengrass also requested $2.14 million in compensatory damages.

The FINRA panel that heard the case handed down a decision on March 15 in favor of neither party. Both sides' claims and all requests for relief were denied. More details about the three member panel's conclusion were not made public.

Morgan Stanley declined to comment on the case and decision.

Greengrass moved to Morgan Stanley in 2005 from Smith Barney, years before a deal was struck to combine those businesses in 2009, according to his lawyer, Ethan A. Brecher, a New York-based attorney at the Law Office of Ethan A. Brecher. Greengrass spent 21 years at Smith Barney, and had about $325 million in assets under management and about $2.5 million in production when he made the move.

"He was one of the top brokers in the entire firm, in part because his clients were these very well-known institutional accounts," including Carl Icahn, Brecher said. But servicing those clients became an issue for Greengrass, according to Brecher, when he could not continue to provide the same preferential rates, such as margin interest rates, to those clients as he had been promised when he joined the firm.

"Within the first three months, he lost his best account, which had generated roughly $350,000 in gross for him," Brecher said, while promises of a new middle market platform were also not immediately fulfilled.

The experience ultimately prompted Greengrass to return to Smith Barney in 2008, but the question of his recruitment package, which included a big promissory note, was still at stake. Though the arbitration panel did not award Greengrass' request for damages, the decision was favorable because it allowed him to keep that bonus totaling $1.1 million including interest, according to Brecher.

"They denied Morgan Stanley's claim and allowed [Greengrass] basically at least a million-dollar plus recovery on these damages, because he already has this money in his pocket," Brecher said of Greengrass, who now works for J.P. Morgan. "He is very pleased that he won and was vindicated in this process."


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