Stifel Broker’s Structured Note Strategy Draws Over $24 Million in Damage Claims

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Complaints over a structured note strategy developed by a Miami-based Stifel Nicolaus & Co. broker continue to mount with another million-dollar claim.

A July 21-filed arbitration dispute, which appeared last week on Chuck A. Roberts’ BrokerCheck record, brings the total damage claims listed to $24.5 million. The complaints are spread across nine arbitration filings that seek damages ranging from $500,000 to $5 million.

The complaints all name Stifel as a respondent, not Roberts, and include claims of negligence, breach of fiduciary duty and unauthorized trading, according to Jeff Erez, a plaintiff’s lawyer with an eponymous law firm in Miami that represents eight of the claimants. Some of the notes, which Roberts built and sold, were heavily weighted with a volatile biotech index or frequently traded to generate commissions, according to Erez.

“This is a pretty aggressive one with structured products, particularly given the volume of the trading that was involved,” said James Sallah, a Boca Raton lawyer representing one claimant. “It appears that the methodology here was to generate as much money as possible for the broker.”

Roberts, who leads the nine-member CR Wealth Management Group based in Miami Beach, did not return a call for comment at his office.

A Stifel spokesperson declined to comment citing policy against discussing pending litigation. A person familiar with the company’s thinking said that it plans to defend against the claims by arguing that the customers were all savvy investors who were aware of the risks associated with their portfolio.

The firm in April denied one written complaint for unspecified damages based on allegations that the customer was misled about the risks associated with structured products, according to Roberts’ BrokerCheck page.

Another customer withdrew a $3 million complaint filed in February, according to Roberts’ CRD snapshot report filed with state securities regulators, which does not state the reason for withdrawal. The complaint had alleged unsuitability and negligence in connection with structured product sales, according to the report.

Erez, who did not share the complaints he has filed on behalf of investors, said Roberts in some cases overconcentrated the structured notes in stocks such as Dynatrace, Pinterest and Snapchat, or to potentially volatile indexes, including the SPDR S&P Biotech ETF (NYSE: XBI).

In late 2021 and into 2022, the stocks and the biotech index experienced precipitous declines in value resulting in “significant losses” to Roberts’ clients, according to Erez. The biotech index peaked at $166.78 per share in February 2021 but fell to a low of $63.07 per share on June 2022. It currently trades around $80 per share.

Roberts charged clients a commision of around 1.5% to 2%, according to Erez. That was not unusually steep for structured products, but they added up with frequent trading, he said.

Roberts started his career in 1990 at Lehman Brothers and worked at Painewebber Inc., M. J. Whitman, Inc., and Oppenheimer & Co. before landing at Morgan Stanley’s Smith Barney predecessor Inc. in 2005, according to his BrokerCheck. He remained with Morgan Stanley until 2016 when he left for Stifel, where he is still in good standing, according to the person familiar with the company’s thinking.

Of the nine pending complaints, six were filed in May, one in June and another was filed in July of this year. One complaint was filed in October 2022. *InvestmentNews* earlier reported eight of the claims against Roberts.

Roberts has three other disclosures on his BrokerCheck record aside from the nine customer complaints.

In February 2010, Roberts accepted a four-month suspension and $40,000 fine over allegations that he knew a colleague had replaced customer emails with a sales assistant's email to facilitate the opening of accounts.

Another 2010 complaint settled for $202,000 of the $313,000 requested and alleged that Roberts made unsuitable investments, misrepresented investments and conducted unauthorized trading in a client's account.

At least eight other customer claims from earlier in his career no longer appear on his record because he successfully expunged them between March and July 2020. The firms had denied some of the complaints, and arbitrators who granted the expungements determined others were "factually impossible" or "clearly erroneous," according to the expungement awards.

Some of the customers who have filed complaints over structured notes include the Bravura Insurance Company, Inc., Maercks Family Management Company LLC, Noble Insurance Co. Inc. and The Harbor Group of New York. Representatives for each company did not return requests for comment or could not immediately be reached.

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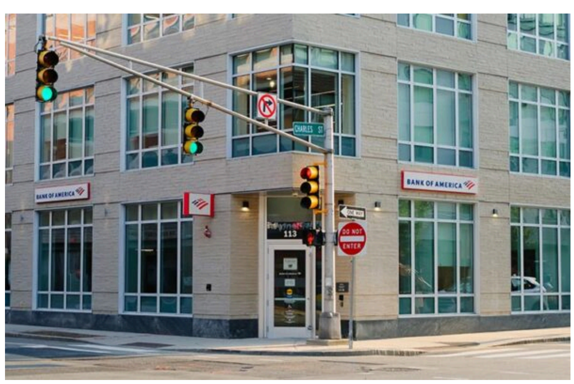

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