Stifel Ordered To Pay Clients $14.2M Over Mishandled Structured Notes

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Stifel, Nicolaus & Co. has been ordered by a Financial Regulatory Authority arbitration panel to pay an investor couple and their business more than $14.2 million in damages for allegedly breaching its fiduciary duty relating to a broker's handling of their investments in structured notes.

BrokerCheck records indicate that the broker in question is Chuck A. Roberts. who is based in the Stifel's Miami Beach, Fla., office and is tied along with Stifel to 16 Finra investor complaints asking for $41.2 million in damages regarding his and the firm's structured notes strategies. Fifteen ot the cases are still pending.

He was not named in the complaint ruled on by the Finra panel.

The three-member public arbitration panel awarded Louis R. Deluca, Elzabeth Deluca and their business UBS Inc.—a healthcare consulting firm not related to the Swiss bank—$4.1 million in compensatory damages, plus interest; $9 million in punitive damages; $1.1 million in legal fees; and another $146,000 in costs and other fees.

The Delucas, in a Finra complaint filed in May 2023, accused Stifel of breach of fiduciary duty, negligence, negligent supervision, fraud, breach of contract, and violation of the Florida Securities and Investor Protection Act.

They had sought compensatory damages of $1 million to $5 million in compensatory damages, along with punitive damages, attorney fees and other costs associated with the case.
"The arbitrators followed the law in our view and provided an award based on the evidence and the law. We are very pleased," said the Deluca's lead lawyer, Jeffrey Erez, managing partner of Erez Law in Miami. "We think this is accountability for the clients who are deserving of accountability."

Erez said the case is based on "misrepresentation regarding auto callable contingent structured notes." He said his firm is in in the process of working on the other pending cases against Stifel. He noted that Stifel "offered zero" in the Deluca's case. "They made no offer, no attempts to media or resolve the case at all," he said, noting that his clients would preferred not to have filed a case. "But faced with the reality of what happened, they felt very strongly that they needed to pursue their legal remedies," he said.

Neil Shapiro, a spokesman for Stifel said they will be moving to vacate the award.

"While we respect the Finra arbitration process, we strongly disagree with this panel's decision and the way it conducted the hearing. This windfall award vastly exceeds any actual damages incurred by an extremely sophisticated client and is simply not supported by the facts of the case," he said.

Stifel had denied the Delucas claims and had requested that they be held liable for all costs and fees associated with the case and that the dispute be expunged from Roberts' record. The arbitrators did not agree.

Roberts, who has led the CR Wealth Management Group, a nine-member team at Stifel in Florida and New York since 2016, could not be reached for comment. He began in the industry in 1990 with Lehman Brothers. He worked for six other firms including Painewebber, Oppenheimer & Co., Citigroup Global Markets and Morgan Stanley before joining Stifel in 2016.