

# Registered Investment Advisor Wins Unique FINRA Arbitration Award

*Arbitrators Award Damages Against Charles Schwab In Case Involving Favoritism of a Potential RIA Client Over an Established RIA Client*

LOS ANGELES, CA, USA, August 6, 2019 /EINPresswire.com/ -- Hailed as another victory in the fight against corporate greed, [Girard Bengali, APC](#) obtained a FINRA arbitration award for approximately \$350,000 against Charles Schwab & Co., Inc. In issuing one of the most unique FINRA awards involving Charles Schwab's Investment Management Services Agreement, which it enters into with thousands of RIAs across the country, the three-member arbitration panel found Schwab liable for claims that stemmed from its breaches of internal policies and procedures regarding conflicts of interest and its surreptitious aid of its client's Chief Financial Officer to attempt to transfer away millions of dollars of managed assets and ultimately harm Claimants' business with whom

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*Attorney Robert J. Girard II*

Schwab had a pre-existing contractual relationship.

Claimants Laguna Financial Group, Inc. (“LFG”), a registered investment adviser (“RIA”) firm in Laguna Beach, California, and Mr. Joseph Ziomek, LFG's Chief Executive Officer, filed a FINRA Arbitration claim on November 4, 2016, against Respondent Schwab. The case arose out of Schwab's clandestine assistance of LFG's former Chief Compliance Officer, who resigned from LFG to open her own RIA firm with Schwab serving as her custodian. Schwab knew that this new RIA firm would be competing directly with LFG – for which Schwab was also serving as custodian – and soliciting clients of LFG. Yet, Schwab did not disclose to its current client, LFG, its knowledge of and involvement in the formation of this new RIA firm to directly compete with LFG. To the contrary, Schwab actively concealed this information from Claimants and prevented their discovery of Schwab's complicity in the formation of this competing RIA firm. When, years later, it was inadvertently disclosed to Mr. Ziomek that Schwab's conduct violated its own policies and procedures, Schwab subsequently terminated its custodial relationship with LFG.

After eighteen hearing sessions, which began in July 2018 and culminated in June 2019, the three-person Panel of FINRA Arbitrators issued an Award in Claimants' favor on August 2, 2019, finding Schwab liable and awarding Claimants \$200,000 in compensatory damages, \$100,000 in attorneys' fees, and \$47,001.12 in costs. The Panel further assessed more than 75% of the hearing fees to Schwab.

“This case involved business and ethical violations by Charles Schwab in its capacity as a broker-dealer firm administering custodial platform services to an RIA,” said Robert J. Girard II, who represents the Claimants. “Schwab lied about its involvement and took advantage of LFG's reliance on Schwab's supposed good faith dealings. While Schwab profited from this misplaced trust, the FINRA panel administered the appropriate justice.”

This finding of liability against Schwab is significant as it alters the landscape of business ethics for high-net-capital broker-dealer firms that offer a custodial platform to RIA firms. “With this Award, the FINRA Panel sent a message that should reverberate through FINRA-member

firms—that where clear conflicts of interest exist, they must be identified, disclosed and mitigated,” [said Omar H. Bengali](#), who also represented the Claimants. He added, “failing to acknowledge the existence of conflicts between clients will not be tolerated, especially where the motivation is to favor the interests of a potential client above an existing one.”

#### ABOUT GIRARD BENGALI, APC

Girard Bengali, APC, is a dedicated securities and employment litigation firm in Los Angeles that fights for underdogs in complex disputes. Girard Bengali, APC's reputation for excellence in the securities industry is unmatched. The firm is among a select number of firms nationwide that handles all aspects of securities law issues, including representing investors, customers of securities firms, financial professionals and individuals who have suffered financial harm. Girard Bengali, APC's three core areas include:

- Brokerage firm misconduct and elder financial abuse
- Financial professional employment disputes
- FINRA, SEC and other regulatory agency investigations and disciplinary actions

Girard Bengali, APC handles securities fraud and investment dispute issues from every angle. The detail and goal-oriented experience Girard Bengali, APC has earned in arbitration and litigation in forums across the country is invaluable to the firm's clients. The firm focuses on specific areas of the law to ensure that the attorneys' knowledge and skills are honed to take on the complex disputes that the firm's clients are facing.

For more information, please visit <http://girardbengali.com> or call (323) 302-8300.

Robert J. Girard II or Omar H. Bengali  
Girard Bengali APC  
+1 323-302-8300  
[email us here](#)

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