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Florida Court Rules State Time Limits Apply to Securities Arbitration.

(Reuters) - Florida's statute of limitations can apply not only to court proceedings, but to securities arbitration cases between investors and their brokers, the Florida Supreme Court ruled Thursday.

The ruling, in favor of Raymond James Financial Services Inc, could, at least in Florida, empower securities arbitrators to cut the time investors have to file a complaint with Financial Industry Regulatory Authority from six years to four years or even two years. And other states could follow.

The decision clarifies a longstanding question about whether FINRA arbitrators can apply a Florida law to determine whether a case is filed in a timely manner. Many securities arbitrations are filed in Florida due to the state's large number of retirees.

A group of investors, who filed an arbitration against Raymond James in 2005, argued the law applies only to court cases, according to an opinion by Florida Supreme Court Justice Barbara Pariente.

"We are very pleased with the result and believe the court made the correct interpretation," said Paul Matecki, general counsel for Raymond James, in a statement.

The Florida Supreme Court decision could spur high courts in other states to question whether their state statutes of limitations should apply to arbitration cases, said Jonathan Uretsky, a New York-based securities lawyer who represents brokerages

That could, in some cases, shrink the amount of time that investors have to file, say lawyers.

Brokerage customers typically agree to resolve their disputes in FINRA's arbitration forum when they sign agreements to open their accounts.

Investor cases are typically eligible for FINRA arbitration if they are filed within six years from the event giving rise to the case, such as the sale of a stock.

Florida law, however, imposes a four-year deadline to file a negligence case, and a two-year deadline to bring a claim under Florida's securities fraud law, according to the opinion.

The Florida case stems from a Raymond James broker's alleged investments in high-risk equities on behalf of the investors between 1999 and 2005, according to the opinion. The broker allegedly did not diversify the risky investments, causing significant losses. The investors also alleged that Raymond James failed to adequately supervise the broker.

Raymond James tried to dismiss the investors' case, arguing that they filed too late.

"We think it's an unfortunate decision for investors in Florida for those who have claims that arise under Florida law," said Scott Ilgenfritz, president of the Public Investors Arbitration Bar

Association, a group of lawyers who represent investors in securities arbitration cases. The group filed an amicus brief, or “friend of the court” brief opposing Raymond James’ position.

Lawyers who represent brokerages are relieved. “The convoluted argument that has been made by claimants’ lawyers to the contrary is nothing other than a transparent attempt to force a respirator on untimely claims that died a long time ago,” said Terry Weiss, a securities lawyer for Greenberg Traurig LLP in Atlanta.

Numerous industry groups, including the Securities Industry and Financial Markets Association (SIFMA) and Financial Services Institute, filed amicus briefs, or “friend of the court” briefs, in the case supporting Raymond James.

“Statutes of limitations ensure fairness to defendants confronted with stale claims,” said Kevin Carroll, SIFMA associate general counsel, in a statement.