

Finra arb panel orders TD Ameritrade to pay \$720,816 over alleged lack of oversight of RIA

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A Finra arbitration panel ordered TD Ameritrade Inc. to pay an investor \$720,816 in a case involving an alleged lack of oversight of an investment adviser to whom it provided custodial services.

In an [Aug. 28 award](#), a three-person, all public Financial Industry Regulatory Authority Inc. arbitration panel found TD Ameritrade liable for losses incurred by a doctor in Reno, Nev., after she transferred individual retirement account funds into Wealth Strategies Funds run by adviser Michael D. Bayliss, in 2010.

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Sandra Althaus, a radiologist, sought compensatory damages of \$407,050 as well as "lost opportunity costs" for the investment and punitive damages, among other claims. The arbitrators awarded her \$728,816 in compensatory damages.

A TD Ameritrade spokesman said the firm does not comment on litigation or arbitration.

Last year, the Nevada attorney general [charged Mr. Bayliss](#) with securities fraud and other violations between April 2011 and December 2015 in Carson City, Nev.

The arbitration case didn't revolve around the investments in Mr. Bayliss' fund so much as the imprimatur TD Ameritrade gave to Mr. Bayliss by allowing him to operate on the custodian's platform.

TD Ameritrade fell short on due diligence, Ms. Althaus' lawyer, Philip Aidikoff, a partner at Aidikoff Uhl & Bakhtiari, alleges. He asserts the custodian didn't properly vet Mr. Bayliss or his investment fund.

"When these funds were onboarded [by TD Ameritrade], Mr. Bayliss already had a history of disciplinary issues," Mr. Aidikoff said. "All TD Ameritrade did was take the word of the issuer in the valuation of the funds rather than doing a third-party valuation. They kept it at a price that was created by [Mr.] Bayliss."

Ms. Althaus invested with Mr. Bayliss because of his association with TD Ameritrade, according to Mr. Aidikoff.

"In her mind, the fact that the accounts were at TD Ameritrade gave her confidence in the investments," he said.

Mr. Bayliss' firm, Wealth Strategies by Bayliss & McAninch Inc., of Carson City was a registered investment advisory firm from 2004 until August 2016, according to the SEC's [Investment Adviser Public Disclosure website](#). Mr. Bayliss is no longer

registered as an adviser.

Mr. Bayliss worked as a broker for 1st Global Capital Group from 1999 to 2004, and is no longer registered, according to [his BrokerCheck profile](#).