SAVE

SUBMIT A TIP
(https://advisorhub.com/submittip/)

NEVER MISS A STORY
(https://advisorhub.com/newsletter-sign-up/)

February 9, 2018

Regulator Suspends Another Morgan Stanley Broker over UIT Sales

by AdvisorHub Staff | News (https://advisorhub.com/category/news/) | MORGAN STANLEY (HTTPS://ADVISORHUB.COM/FIRMS/MORGAN-STANLEY/) | Finra (https://advisorhub.com/tag/finra/), UIT (https://advisorhub.com/tag/uit/) | Comments (4)

SHARE THIS

PhotoAlto/Fredecir Cirou/Getty Images

The regulatory hits keep coming for brokers accused of churning Unit Investment Trusts.

Thomas F. Niles, a Saratoga Springs, N.Y., advisor for 25 years, has been suspended for three months and fined $5,000 for an allegedly "unsuitable pattern of short-term trading" in 148 accounts over two-and-a-half years while working at Morgan Stanley, according to a consent letter posted on the Financial Industry Regulatory Authority enforcement website.

Niles, who moved to Janney Montgomery Scott in September 2015 and oversees a four-person team, said he did not have permission from his firm to comment publicly. The broker, who does not have customer complaints or other disclosure events on his BrokerCheck record, accepted the Finra sanctions without admitting or denying the findings.

The majority of UITs that Niles sold to his customers had maturity dates of at least 24 months, but he "repeatedly recommended" they sell them less than a year after purchase. Most of the instruments had sales charges ranging from 1.95% to 3.95%. Finra also alleged that on "hundreds of occasions" he urged customers to use the proceeds to buy UITs with similar or identical investment objectives as those they sold.

None of Niles' customers complained and the broker "had to make a business decision" to move forward rather than fighting the case, said his lawyer, Thomas B. Lewis of Stevens & Lee in Lawrenceville, N.J.

The punishment is the latest example of Finra's enforcement focus on excessive trading of UITs, instruments that it says are not designed as trading vehicles and that typically carry significant upfront charges. The industry-financed regulator brought a series of cases last year against improper sales of the fixed-portfolio offerings and recently said that it continues to be a product-suitability focus (http://www.finra.org/industry/2017-report-exam-findings/product-suitability) for its examiners and enforcement lawyers.

Morgan Stanley and its brokers have drawn many of the sanctions. Last month, Vincent Sciabica, a broker in Albany, N.Y., accepted a six-month suspension and $5,000 fine (https://advisorhub.com/finra-raps-another-ex-morgan-stanley-broker-uit-sales-practices/) for trading UITs, a product he said he now avoids. Another former Morgan Stanley broker agreed to a four-month suspension and a similar fine in December (https://advisorhub.com/ex-morgan-stanley-broker-burned-uits-now-spurns-commissions/), as did a former broker for the firm in Colorado in August. (https://advisorhub.com/ex-ms-broker-hot-water-uit-rollovers/)

The broker-dealer itself agreed in September to a fine of $3.25 million (https://advisorhub.com/morgan-stanley-pay-13-million-uit-sales-violations/) and toreimburse customers almost $10 million for allegedly failing to supervise short-term sales of UITs by hundreds of brokers from 2010 through mid-2014. According to Finra, the firm subsequently investigated its UIT sales-practice procedures rigorously and stepped up its supervision.

Niles, the Saratoga Springs broker, began his career as a registered representative at Merrill Lynch in 1992, and also has worked at Salomon Smith Barney, Prudential Securities and Wachovia Securities before joining Morgan Stanley in 2009, according to BrokerCheck.

Like this article? Let AdvisorHub come to you!

SIGN UP (HTTPS://ADVISORHUB.COM/NEWSLETTER-SIGN-UP/)