

So, You're in Legal Trouble. Does Your Firm Have Your Back? Financial Advisor IQ, March 23, 2022

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The legal protection financial advisors can expect from their firm is something FAs should take seriously, specialists and industry executives say. Earlier this month, Craig Price, an ex-UBS financial advisor who won a \$650,000 arbitration award for defamation, told FA-IQ that he was disappointed that he hadn't received the payment at the time. Price was chasing the payment from the wirehouse even if his arbitration case before the Financial Industry Regulatory Authority had named UBS advisors Raymond Klahne and William Gilcher as the respondents. This week, Price said his attorney's office has the payment from UBS.

Not every firm is going to pay for an arbitration or lawsuit award like UBS did for Klahne and Gilcher, and even if they do, they may do it on a case-by-case basis, according to sources. The legal protection or indemnification personnel are entitled to from their firms is largely a function of the terms of their contracts and state law corporate indemnification statutes, according to Gregg Breitbart, co-managing partner of law firm Kaufman Dolowich Voluck. "Absent a contractual or statutory basis, I'm not aware of any 'common law' requirement that a firm [must] indemnify an employee for actions taken within the scope of their employment," Breitbart said. "In fact, I much more frequently see the contractual indemnification obligation flowing from the employee to the firm, especially where the employee is a producing rep."

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