

Business + Economy

The 10 Financial Companies That Need to Win Back Your Trust

RICK WILKING

If you haven't checked your financial adviser's disciplinary record yet, you might want to do so soon.

One in 13 advisers has a misconduct record, according to a [new study](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2739170) from the University of Chicago Booth School of Business. Misconduct ranges from putting clients into questionable investments to making trades and other investment decisions without client approval.

Related: [How to Find a Financial Adviser You Can Really Trust](http://www.thefiscaltimes.com/Columns/2012/07/09/How-to-Find-a-Financial-Adviser-You-Can-Really-Trust)

The paper was based on six of 23 categories of disclosure in the [Brokercheck](http://brokercheck.finra.org/) database, which is operated by the Financial Industry Regulatory Authority, the financial industry's self-regulatory arm.

Although financial firms typically don't allow advisers get away with misconduct, many of them are able to remain in the industry. Around half of advisers found to have committed misconduct were fired, but 44 percent landed a new job in the industry within a year.

Troublingly, a large portion of those advisers is likely to mishandle the portfolios of other investors again. Researchers found that almost 40 percent of the advisers who had been disciplined once were repeat offenders, racking up at least two more cases of misconduct.

Gregor Matvos, an associate professor of finance for Booth and one of the study's researchers, says that this finding proves a dichotomy between what firms choose to do versus what the market wants. "If we all have the same tolerance for misconduct, you shouldn't want to hire a guy that I fire," Matvos says.

The findings "suggest that some firms 'specialize' in misconduct and cater to unsophisticated consumers, while others use their reputation to attract sophisticated consumers," the report reads.

Related: [The 6 Times You Really Need a Financial Adviser](http://www.thefiscaltimes.com/Articles/2013/10/23/6-Times-You-Really-Need-Financial-Adviser)

Some large, well-known firms have misconduct rates that are far above the average. The report cites Oppenheimer & Co as having the highest rate of incidence, with nearly 20 percent of advisers having misconduct records. First Allied Securities ranks second at a rate of 17.7 percent.

A spokesman for Oppenheimer, Jacqui Emerson, said in a statement that the company "has made significant investments to proactively tackle risk and compliance issues in our private client division. We've made changes in our senior leadership, branch managers and significant changes in our advisor ranks." The company is also boosting surveillance efforts and improving its compliance and audit teams.

To be safe, Matvos recommends avoiding advisers who have gotten in trouble in the past because they are five times more likely to get into trouble again. He advises conducting an adviser check, which can be done for free online, though many people don't know that the information is publically available. "It's a pretty low hurdle of avoiding misconduct," Matvos says.

Below are the top 10 firms with the highest – and lowest – rate of incidence of misconduct, according to the study.

Firms with the Highest Incidence

10. Janney Montgomery Scott

Misconduct Rate: 13.3 percent
Number of Advisors: 1,394

9. Stiffel, Nicolaus & Co.
Misconduct Rate: 13.3 percent
Number of Advisors: 4,008
8. Raymond James
Misconduct Rate: 13.7 percent
Number of Advisors: 5,495
7. National Planning Corp.
Misconduct Rate: 14.0 percent
Number of Advisors: 1,760
6. Securities America
Misconduct Rate: 14.3 percent
Number of Advisors: 2,546
5. Cetara Advisers
Misconduct Rate: 14.4 percent
Number of Advisors: 1,432
4. UBS Financial Services
Misconduct Rate: 15.1 percent
Number of Advisors: 12,175
3. Wells Fargo Advisers FN
Misconduct Rate: 15.3 percent
Number of Advisors: 1,797
2. First Allied Securities
Misconduct Rate: 17.7 percent
Number of Advisors: 1,112
1. Oppenheimer & Co.
Misconduct Rate: 19.6 percent
Number of Advisors: 2,275

Firms with the Lowest Incidence

10. Pershing
Misconduct Rate: 1.7 percent
Number of Advisors: 1,049
9. Wells Fargo Securities
Misconduct Rate: 1.7 percent
Number of Advisors: 2,876
8. Prudential Investment Management
Misconduct Rate: 1.7 percent
Number of Advisors: 1,234
7. Jefferies
Misconduct Rate: 1.7 percent
Number of Advisors: 1,676
6. UBS Securities
Misconduct Rate: 1.5 percent
Number of Advisors: 1,785
5. Blackrock Investments
Misconduct Rate: 1.4 percent
Number of Advisors: 1,442
4. Suntrust Robinson Humph.
Misconduct Rate: 1.3 percent
Number of Advisors: 1,040
3. BNP Paribas Securities
Misconduct Rate: 1.2 percent
Number of Advisors: 1,109
2. Goldman, Sachs & Co
Misconduct Rate: 0.9 percent
Number of Advisors: 7,380
1. Morgan Stanley & Co
Misconduct Rate: 0.8 percent

Number of Advisors: 3,807



Millie Dent • [Twitter](#) Millie Dent is a recent graduate of Wesleyan University, where she served as News Editor of the University newspaper. She previously worked as a research assistant for Forbes Editor, Richard Behar, on his book about Bernie Madoff and was a contributing writer for Forbes on the business behind media and entertainment.

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