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Third Wirehouse Coughs Up Millions In Overtime Cases

By Halah Tourylai

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Yesterday, Morgan Stanley became the third wirehouse, after Merrill Lynch and UBS, to settle class action suits with California brokers over overtime pay in the past seven months – the second in three weeks.

Morgan Stanley's settlement is the second largest. It agreed to pay up to \$42.5 million. UBS settle for \$87 million last month, while Merrill Lynch reached its agreement for \$37 million in August. More suits are on tap.

According to the Morgan case, which was filed in 2004 and was virtually the same as the others, the brokerage firm wrongly charged brokers for administrative costs and failed to pay those who worked over 40 hours a week.

Mark Thierman, the Reno-based attorney who represented the brokers in all three settlements and is representing brokers from several firms in similar suits across the nation, hopes brokerage firms change the way they pay their brokers. Says Thierman: "If they don't want to change, then the firms should pay brokers overtime." Despite the settlement Morgan Stanley still holds to its view on broker compensation. "We believe financial advisors are exempt professionals under the law and should not be paid on an hourly basis or be forced to keep track of their work time," a Morgan Stanley spokeswoman said in a statement. "However we have settled this litigation to put the matter behind us."


Labor lawyers are expecting that similar suits will likely be settled this year. To be sure, there are enough cases working their way through the courts. Smith Barney, Ryan Beck, Wachovia Securities and Bear Stearns are just some of the brokerage firms that have complaints filed against them on the overtime pay issue.

The cases have sprouted in California because its labor laws are more "worker-friendly" according to Thierman. He says the cases will certainly be making their way to the east coast. "New York has a very similar way of doing things labor-wise and has similar labor statues," he says.

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