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FINRA Orders GFI To Pay Burlington Capital $1.3M

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A four-year dispute between two financial services companies over allegations that one firm poached top brokers from the other has ended in a $1.3 million payday for Burlington Capital Markets Inc., after a judge ordered rival brokerage GFI Group Inc. to pay the firm for allegedly using confidential information to woo its employees.

In a decision handed down on Wednesday, an arbitration panel of the Financial Industry Regulatory Authority awarded Burlington the damages.

GFI noted in a statement that FINRA “failed to find GFI specifically liable on any of the nine causes of action alleged based on the hirings, rather it merely awarded what it termed to be ‘compensatory’ damages.”

The panel also ordered Burlington to pay up, ordering the brokerage to pay GFI and employee Paul Basile $10,134.25 after finding that the firm failed to provide financial information in a timely manner. Burlington could not be reached for comment by press time.

The dispute dates back to 2004, when Burlington filed the suit alleging that GFI appropriated confidential information and used it to raid the company’s employees and customers. Burlington claimed that GFI obtained the insider data during negotiations for a possible purchase of Burlington by GFI.

Burlington and GFI first began merger talks in August 2002, although in court documents the firms’ accounts of which company initiated the discussions differ. The two brokerages began talks and eventually exchanged a letter of intent regarding the potential deal.

But the merger fell through in December 2002, and the failure of the negotiations required GFI to return any confidential information that it may have had access to during the talks.

Burlington claims, however, that GFI refused to hand over the documents. Instead, Burlington alleged that GFI held on to the information until the noncompete provision of the negotiations expired.

Then GFI, along with Basile, a former Burlington employee, began using the information to woo other Burlington employees to GFI.

The firm claimed that GFI returned the documents in October 2004, sending back two boxes of proprietary information. Burlington claimed in the suit that this proves that GFI had been in possession of confidential information, in violation of the agreement between the two firms.

Burlington also alleged in the FINRA claim that the employees targeted by GFI generated a total of $15 million a year, which amounted to more than 30% of the firm's total revenue.

"GFI Group's circumvention of the outright purchase of Burlington to simply have its subsidiary GFI Securities steal from the same can only be classified as outrageous," Burlington said in the suit.

Burlington also claimed that after GFI pillaged its employees, the firm and its new brokers used insider information to give GFI Securities an unfair competitive advantage.

In a hearing before the FINRA panel, GFI argued that the nonsolicitation clause stipulated during the negotiations between the two companies had long expired before the firm hired any former Burlington employees.

Further, GFI said that none of the Burlington employees hired by the firm had ever signed a noncompete agreement and that several of the employees did not work for Burlington during the premerger due diligence period.