Former stockbroker, fired five times, goes on trial for fraud

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A former Pennsylvania stockbroker was fired from five brokerages but was allowed to continue investing other people's money amid persistent customer complaints and securities industry infractions.

Anthony Diaz, who was eventually kicked out of the securities industry and ordered to pay millions of dollars in damages, was permanently barred from trading in 2015. On Monday, jury selection begins at a federal courthouse in Scranton, Pennsylvania, and Diaz will stand trial on criminal fraud charges.

Some investors said they lost their life savings because of Diaz.

"These were exclusively retirees or people close to retirement age when they met Diaz," said Adam Gana, a veteran securities lawyer who represented some of Diaz's former customers. "Widows, elderly, unsophisticated investors who were totally bilked by him."

A phone call and email from the Associated Press were left with Diaz's lawyer, Darren Gelber, seeking comment on the government's case. The ex-broker has said through Gelber in court documents that his actions were "proper and legal." He pleaded not guilty to an 11-count indictment alleging wire and mail fraud. Each count carries a maximum 20-year prison sentence.

The trial comes amid a court battle over a new Trump administration rule that purports to require securities brokers to keep the interests of their customers ahead of their own. Democrats and consumer advocates have said the rule actually weakens previous investor protections, and seven states and the District of Columbia have sued the Securities and Exchange Commission to block it.

Once regarded as one of the nation's top brokers, Diaz earned millions during a 15-year career by pushing high-fee, high-risk "alternative investments" meant for wealthy, sophisticated investors, prosecutors said. He had unsuspecting clients sign blank documents, then falsified their net worth, income, investment experience and risk tolerance to make it appear they met the SEC's suitability requirements of the products, the government alleged.

What Diaz sold as "no-lose" investments with guaranteed rates of return were, in fact, highly speculative and came with long holding periods that tied up clients' money, court documents state.

The stockbroker also lied to clients about having been fired, the indictment said, claiming he left each firm voluntarily.

The criminal charges against Diaz are "unbelievably rare," Gana said. While brokers have been charged with outright theft, Gana said, "I can't recall a single indictment of a broker for falsifying documents and making unsuitable investments."

Diaz attorney Gelber asked a judge to block prosecutors from telling the jury that Diaz had been fired repeatedly and barred from selling securities, saying the information was prejudicial and irrelevant. Judge Malachy Mannion denied the request, meaning that jurors will be free to hear about Diaz's lengthy disciplinary record.

Two years ago, the Financial Industry Regulatory Authority ordered Diaz to pay about $4 million in damages to 19 former clients. He has not complied, an agency spokeswoman said.

In 2014, the industry-funded authority announced it would create a committee to investigate stockbrokers with lengthy violation records.

Gana said he looked for assets owned by Diaz that could be used to satisfy the damage award but came up empty, "which is unfortunate because he left a lot of damage in his wake."

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