

Morgan Stanley Employee Claims He Was Fired for Reporting Fraud

By: Debra Speyer

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A former employee of Morgan Stanley Smith Barney LLC has filed a lawsuit claiming that he was terminated after blowing the whistle on questionable activities by an investment adviser. According to the lawsuit, the [adviser was churning in customer accounts](#) to generate higher commissions.

Clifford Jagodzinski contends that he received exemplary reviews for his job as a complex risk officer, until he reported a suspected investment fraud. As detailed in the complaint: "In late 2011, Mr. Jagodzinski discovered that one of MSSB's newest wealth managers, Harvey Kadden, was flipping preferred securities in a manner that was generating tens of thousands of dollars in commissions but causing losses or minimal gains for his clients and exposing his clients to unnecessary risks. These trades were obviously designed to bilk investors."

According to Jagodzinski, he reported the activities to his supervisors, who initially praised him for detecting the scam. However, when he recommended that the fraud be reported to FINRA and the SEC, he was told not to continue his investigation.

Jagodzinski alleges he received similar instructions when he reported other securities law violations, including another adviser who was making unauthorized trades on behalf of a client. Even after the adviser admitted to the fraud, Jagodzinski was allegedly told not to take any further steps to investigate or report the transgressions.

The complaint alleges violations of the Dodd-Frank whistle-blower statute, requests reinstatement, and seeks at least \$1 million in damages. If true, the allegations paint a troubling picture of the oversight at large firms and the risks faced by investors.

About Debra Speyer

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