About Michael Markowski's being barred from affiliating with a broker dealer

Michael Markowski was the founder and CEO of Global America which was broker dealer headquartered at 110 Wall Street in New York City. Its clients included 12,000 high net worth individuals and 200 European institutions. The firm which had 80 brokers was considered to be a leading provider of venture capital in the U.S. to early stage companies. The slogan gracing the cover of the brochure was "Future-Shaping through 'Public' Venture Capital Investment". Dr. Arthur Laffer, who was President Reagan's economist and creator of the famous "Laffer Curve" was a member of the firm's Board of directors.

Michael Markowski was barred from affiliating with a broker dealer in the late 1990s by the SEC and the NASD (name changed to FINRA). The disciplinary proceedings that were brought by the two regulators against Mr. Markowski to bar him from affiliation were specifically related to the performance of his duties as the CEO of the broker dealer during 1990. The firm's trader who Mr. Markowski supervised was also named in the proceedings and barred. Mr. Markowski's bar did not prohibit him from producing publishing articles and recommendations, etc. See Supreme Court ruling, Lowe vs. SEC.

The primary rationale for the regulators instituting proceedings were allegations that the share prices of the IPOs of development stage companies underwritten by the firm in 1990 had been manipulated. Secondarily, there were allegations that the firm purposely did not execute market orders to keep the prices of the shares from declining. However, the NASD's Market Surveillance Committee in its 1998 review of the findings ruled that there was insufficient evidence to support the allegation that "sell at market" orders were not being executed. The market manipulation allegation involved highly technical issues due to the firm's attempting to make orderly markets in the securities which it underwrote. Markowski's lawyers had argued that since the trading resulted in a net loss to the firm it precluded a finding of manipulation. For this reason, Markowski filed a petition for a writ of certiorari with the Supreme Court of the United States to appeal the decision. The court denied his request to hear the appeal. Things to consider and mitigating factors:

- A Consolidated Edison transformer fire knocked out all electricity and phones at the brokerage firm's NYC headquarters for two weeks during August of 1990. It was the cause of a majority of the complaints since the firm and its brokers could not accept inbound calls.

- Global America became insolvent and went into liquidation on January 16, 1991. This severely impacted the share prices of all of the companies that it had underwritten and had made markets in. The firm was the primary NASDAQ market maker for the securities of all the companies involved. The risk for the shareholders of the companies increased since their primary investment banker, Global America could no longer raise them additional capital. Taking of disciplinary action by regulators is standard procedure for firms that become insolvent.

- The first two weeks of January 1991, are recorded by historians as being one of worst first two weeks for the market for any new year. From December 31, 1990 through January 16, 1991, the S&P 500 steadily eroded and had declined by 5%. Investors were scared because the threat of the first Gulf war beginning had been imminent since the last day of 1990. Due to the initial success the US bombers had the market staged one of its biggest one-day rallies ever on January 17th after the war had begun. If the firm had been allowed to remain in business for one more day, the prices of the shares that it had held would have recovered enabling it to meet its capital requirements.

- The key evidence that the NASD utilized in its findings to support its Decision for the bar was the testimony transcript by an NASD witness that was erroneously attributed to Mr. Markowski rather than the witness. Mr. Markowski had personally cross examined the witness and the court reporter erred in transcribing the speaker in this interrogation of the witness. After the NASD had handed down its Decision, Mr. Markowski requested that the record be changed to reflect the true testimony. However, his request was denied.

- Michael Markowski entered into the securities industry with Merrill Lynch in 1977. From then and up until Global America went out of business in 1991, Markowski had an exemplary track record. He had no prior customer complaints or disciplinary history.

- Mr. Markowski voluntarily left the securities industry in January 1992. This was at least three years before the regulators barred him from affiliating with a broker dealer. Michael Markowski was not barred from being a registered investment advisor.

- None of Global America's 80 brokers or any other employees were named in the proceedings brought against Michael Markowski and the trader by the NASD and SEC. Brokers not being named is indicative that there were very few customer complaints and that the firm's problems were temporary and not systemic.

Global America was headquartered on Wall Street. Its clients included 12,000 high net worth individuals and 200 European institutions. The firm was considered to be a leading provider of venture capital in the U.S. to early stage companies. The slogan gracing the cover of the brochure was "Future-Shaping through 'Public' Venture Capital Investment". Dr. Arthur Laffer, who was President Reagan's economist and creator of the famous "Laffer Curve" was a member of the firm's Board of directors.

Below is the price chart for one of Global America's recommendations, Senior Service Corporation, which underwent a name change to Almost Family. Mr. Markowski was the investment banker who underwrote the IPO for the company when it was a startup. He was the co-author of the first research report and buy recommendation covering the company. The market value of the company has increased by 4800% and its annualized revenue has grown to $800 million.

AFAM 62.00
Open 62.30
Close 62.00
Low 61.60
High 62.35
Vol 201.89K
% Chg 1266.02%
70.00
62.00
50.00
40.00
30.00
20.00
10.00
201.89K
1997
2002
2007
2012
2017