

# Second Circuit Rules That Derivatives Counterparty Is Not A “Customer” of Broker-Dealer Under FINRA Rules

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In the recent case *Citigroup Global Markets Inc. v. Ghazi Abdullah Abbar, et al.*, 13 Civ. 2172 (2d Cir. Aug. 1, 2014), the Second Circuit held that, under FINRA rules, an investor who purchased an over-the-counter derivative from a financial institution was not a “customer” of the financial institution’s affiliated broker-dealer, notwithstanding the broker-dealer’s involvement in negotiating and structuring the sale, and with the continued operation of the transaction. As such, the broker-dealer could not be compelled to submit to a FINRA arbitration commenced by the investor to recover its losses... [Continue Reading](#)