

# Bond Case Briefs

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## Ex-Morgan Stanley Broker at Center of Puerto Rico Bond Disputes.

### ***Hurricane damage to island may complicate settlement of claims on munis and closed-end funds***

The Puerto Rico municipal bond mess has landed on the doorstep of Morgan Stanley, with mounting arbitration claims against the firm stemming from sales of the bonds and closed-end funds from a former broker in Miami.

The broker, Angel Aquino-Velez, is no longer with Morgan Stanley and his registration at the firm ended in July, according to his BrokerCheck report. The report provides no explanation for his change of employment status.

Mr. Aquino-Velez started working at Morgan Stanley in 2010. He had previously worked at Merrill Lynch and UBS Financial Services Inc.

The six pending Financial Industry Regulatory Authority Inc. arbitration claims against Morgan Stanley and Mr. Aquino-Velez allege close to \$7 million in damages, according to BrokerCheck. The allegations included unsuitability and misrepresentation regarding the purchase of municipal securities and closed-end funds. Three of those claims were filed over the summer since he left the firm.

### **HUGE LOSSES**

Mr. Aquino-Velez recently sold clients Puerto Rico Cofina bonds, which are backed by the island's sales tax revenue, according to Jeff Erez, a plaintiff's attorney involved in four claims by the broker's clients against Morgan Stanley.

"Some people's portfolios are down 80%," Mr. Erez said. "I just filed a claim for a client who had \$5 million and now she has \$1 million. Aquino-Velez fell in love with Puerto Rico bonds. He felt he knew better and continued to send that message till the day he left."

Mr. Erez said the claims against Morgan Stanley stemming from the bonds are far less than those involving UBS, which in 2014 said it faced almost \$1 billion in damages from investor claims.

A spokeswoman for Morgan Stanley Wealth Management, Bernadette Rhodes, did not return calls to comment. The broker, Mr. Aquino-Velez, could not be reached to comment.

In May, Puerto Rico filed for bankruptcy under the weight of \$70 billion of municipal debt. Ten years earlier, Puerto Rico had \$43.5 billion in debt obligations. The bonds and closed-end bond funds were popular with investors and retirees because of their triple-tax free status.

### **STORM DEVASTATION**

Hurricane Maria struck Puerto Rico on Sept. 20, and soon wiped out the island's outdated electricity system, flooded cities and ruined crops, leaving bondholders increasingly worried, according to Bloomberg News.

In some 300 investor claims involving Puerto Rico bonds that he has worked on, Mr. Erez said that about 190 have closed, with investors recovering \$90 million. He added that he is speaking to other Morgan Stanley clients about potentially filing claims stemming from losses in Puerto Rico bonds and closed-end funds.

Morgan Stanley has already settled four Finra arbitration claims worth \$2.4 million stemming from Puerto Rico municipal bond investments involving Mr. Aquino-Velez, according to BrokerCheck.

Meanwhile, Finra's Office of Dispute Resolution, which runs the arbitration group, said last week that it had stayed or temporarily halted all cases based in Puerto Rico until Oct. 20.

## **Investment News**

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By Bruce Kelly

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