

# **Bond Case Briefs**

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## **UBS Unit to Pay More Than \$2.9 Million to Investors in Puerto Rico.**

UBS AG's wealth-management unit was ordered to pay more than \$2.9 million to two investors in Puerto Rico for losses tied to funds holding the island's municipal bonds.

Ana Teresa Lopez-Gonzalez and Andres Ricardo Gomez were part of a family of investors that filed an arbitration claim with the Financial Industry Regulatory Authority claiming fraud, breach of fiduciary duty, negligence, breach of contract and unsuitability, among other things. The claims related to investments in UBS-managed closed-end funds and other Puerto Rican municipal bonds, and the use of these investments as collateral for borrowing.

The other family members listed as claimants settled for an undisclosed amount. Before any settlements, the group had sought \$10 million in damages, plus other amounts.

Puerto Rico bonds and bond funds plummeted in value as the island commonwealth's financial crisis deepened in mid-2013.

The arbitration panel awarded the investors a combined \$2.4 million in damages, plus interest, along with more than \$534,000 in legal and other costs, according to the award posted on Finra's website. The panel also denied a counterclaim UBS brought against Mr. Gomez tied to a failure to pay money allegedly owed under the terms of certain credit-line agreements.

As is customary, the Finra arbitrators didn't provide details on the reasoning for their decision, which was dated Monday.

"My clients are gratified by the Finra arbitration award and believe justice was served," said the investors' attorney, Jacob Zamansky. Mr. Zamansky is a principal at securities law firm Zamansky LLC in New York.

A spokesman for UBS said that "although the arbitrators awarded less than the full damages claimants requested, UBS is disappointed with the decision to award any damages, with which we respectfully disagree."

He also noted that the decision in this case isn't indicative of how other panels may rule with regard to other customers who invested in similar products.

Still, this case is one of the latest in a string of legal victories for individual investors facing steep losses in Puerto Rico municipal-bond funds. UBS and other brokerage firms operating in Puerto Rico currently face hundreds of arbitration claims from clients who invested in closed-end funds which mostly invested in bonds issued by the Puerto Rican government and its agencies.

Last month, UBS was ordered to pay about \$2.5 million to a San Juan couple. The investors had requested up to \$6 million in damages.

And earlier this year, UBS was ordered to pay nearly \$1.5 million, out of about \$5.8 million requested, to investors in three other cases regarding the Puerto Rico bond funds.

The UBS spokesman on Tuesday said that for more than two decades, “investors in UBS’s Puerto Rico municipal bonds and closed-end funds received excellent returns that frequently exceeded the returns available through investments in other bonds or bond funds.”

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