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UBS wins Puerto Rico Bond Fund Arbitration After Spate of Losses.

UBS AG has prevailed against an investor's multi-million-dollar arbitration claim for losses tied to the firm's Puerto Rico bond funds, following a string of investor victories.

A Financial Industry Regulatory Authority (FINRA) arbitration panel ruled that investor Berta Ganapolsky relied on advice from her family's "outside counsel" and an accountant, instead of her UBS broker, when she chose to remain invested in a bond fund that was underwritten and sold by UBS's Puerto Rico arm. The ruling, dated Wednesday, was posted to FINRA's website on Friday.

"We believe that justice was not done here," said Charles Lichtman, a lawyer in Boca Raton, Florida, who represented Ganapolsky. "Our client is a 78-year-old widow, whose UBS broker put all of her money into one investment," Lichtman said in a statement.

Ganapolsky, who filed the case last year, had sought a total of \$9.1 million in relief.

Many of the Puerto Rico funds sold by UBS were highly concentrated in the debt of the Caribbean island's government and related entities. UBS is defending against hundreds of arbitration claims filed with FINRA, which collectively seeking more than \$900 million in damages.

Some of the funds lost half to nearly two-thirds of their value between March 2011 and October 2013, amid fears about the size of Puerto Rico's debt burden and the weakness of its economy. They have failed since to recover.

"UBS is pleased with the arbitrators' decision in this matter," a spokesman said.

The panel's decision follows a series of recent UBS losses. On Aug.31, arbitrators ordered UBS to pay \$2.9 million to two Puerto Rican investors. And Aug. 11 arbitrators ordered UBS to pay two investors \$2.5 million.

In May, arbitrators ordered UBS to buy back an investor's Puerto Rico bond fund portfolio for \$1 million. As the value of the investor's portfolio plunged, a UBS manager told him that "even a skinny cow could give milk," the ruling said.

The panel, in reaching its decision on Wednesday, also recommended removing details about Ganapolsky's complaint from the public record of her broker at the time, David Jose Lugo.

FINRA rules require that summaries of investors' arbitration complaints appear in the public records of brokers who are either named in a case or facilitated a transaction.

Lugo's public record reflects dozens of such complaints about the funds and also notes that he left UBS in May. Lugo's lawyer was not immediately available to comment.

REUTERS

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