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## **UBS Unit to Pay \$34 Million in Settlements Over Puerto Rico Bond Funds.**

A unit of UBS Group AG agreed to pay roughly \$34 million in settlements with U.S. regulators regarding the sale of Puerto Rico bond funds that plunged in value in recent years.

Tuesday's settlements come as Puerto Rico's financial crisis is drawing increased scrutiny from U.S. lawmakers and regulators. A measure to establish more robust federal oversight over Puerto Rico's mutual-fund industry was introduced in Congress last week and a Senate committee held a hearing on Puerto Rico's financial problems on Tuesday.

UBS Financial Services Inc. of Puerto Rico agreed to pay \$15 million to settle charges from the Securities and Exchange Commission, which said the unit failed to supervise a former broker who had customers invest borrowed money in the bond funds. The SEC said the money will be placed into a fund for investors who had losses.

The Financial Industry Regulatory Authority, which oversees securities firms, also said the UBS unit would pay a \$7.5 million fine for failure to supervise, and \$11 million in restitution to 165 customers who had losses on their funds.

The settlements are in line with other recent enforcement action by the SEC, which has focused on supervisory failures, said Elaine Greenberg, partner in the securities litigation, investigations and enforcement practice at Orrick Herrington & Sutcliffe LLP.

The SEC is "continuing to pursue actions against broker-dealer firms with regards to their policies and procedures, and whether or not those policies and procedures are reasonably designed to prevent and detect violations of federal securities law," Ms. Greenberg said. She previously was head of the SEC's specialized unit on municipal securities and public pensions.

A UBS spokeswoman said: "We're pleased to have resolved these matters with the SEC and Finra with respect to separate inquiries initiated in early 2014. We remain dedicated to serving our customers during this difficult economic time for the commonwealth."

Separately, the SEC said it sued the former broker, Jose Ramirez Jr., in federal court. It alleges Mr. Ramirez increased his compensation by at least \$2.8 million by having customers improperly borrow money to invest in the Puerto Rico bond funds.

In addition, a former branch manager, Ramiro L. Colon III, agreed to pay a \$25,000 penalty and be suspended from supervisory roles for a year. Mr. Colon is currently employed by UBS in Miami, according to his broker records.

An attorney for Mr. Ramirez, who was fired by UBS in early 2014, said he was examining the lawsuit and had no further comment.

Hundreds of investors who owned the bond funds sold by UBS have filed legal claims with Finra

seeking to recoup their losses. UBS has settled some of the cases, at times for millions of dollars. In cases that made it to a hearing, Finra arbitrators have awarded damages in six of them and found in favor of UBS in two cases, according to UBS.

The funds were popular among island residents in part due to generous tax advantages. Many investors say they invested in the funds because their UBS brokers told them the funds, which were heavily invested in Puerto Rico municipal securities, were safe.

Puerto Rico has been facing a sluggish economy and high unemployment for years, and officials under Gov. Alejandro Garcia Padilla are seeking to restructure the island's \$72 billion debt load. Mr. Garcia Padilla has called the island's debt unpayable, and many Puerto Rico bonds are trading well below face value.

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By MIKE CHERNEY

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—Aaron Kuriloff contributed to this article.

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