

Bond Case Briefs

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Finra Arbitration Panel Orders UBS to Pay for Damages Over Puerto Rico Bond Losses.

UBS Group AG's wealth management business for the Americas must pay more than \$470,000 to three investors who claimed damages because their accounts were over-concentrated in Puerto Rico bonds that plunged in value, according to the Financial Industry Regulation Authority Inc.

Obdulio Melendez Ramos, Ramon Velez Garcia and Carlos L. Merced had been seeking as much as \$570,243 for damages, alleging fraud and negligent supervision, according to the Finra arbitration award document dated March 24. Their claims were filed in October 2014.

"Although the arbitrators awarded less than the full damages the claimants requested, UBS is disappointed with the decision to award any damages, with which we respectfully disagree," Gregg Rosenberg, a spokesman for UBS, said in an emailed statement.

"The decision in this case was based on the facts and circumstances particular to these particular claimants, and is not indicative of how other panels may rule with regard to other customers who invested in similar products," he said.

Damages tied to Puerto Rico's distressed debt were among the litigation matters outlined in the Swiss bank's financial supplement for its fourth-quarter earnings results released in early February. The supplement showed that since August 2013, declines in the price of Puerto Rico municipal bonds and related funds managed and distributed by UBS have led to regulatory inquiries, customer complaints and arbitrations, with claimed damages totaling \$1.5 billion.

About \$284 million of claims were resolved through settlements or arbitration, according to the supplement.

The oil bust could leave a similarly long wake of arbitration awards in the brokerage industry, as a wave of claims are expected to be filed this year with Finra. Investors have begun seeking damages based on allegations that their brokers put too much of their money in energy investments, which cratered following crude's plunge in the second half of 2014.

Investment News

By Christine Idzelis

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