

RBC Loses Finra Arbitration Over Lehman Stock Advice

By Zeke Faux - May 31, 2013

(Corrects to clarify type of penalty in headline of story published May 30.)

[Royal Bank of Canada](#), the country's largest lender, was ordered to pay more than \$800,000 to a U.S. couple over their losses on investments including Lehman Brothers Holdings Inc. preferred stock.

A Financial Industry Regulatory Authority arbitration panel imposed financial penalties, including \$250,000 of punitive damages, after finding that an RBC broker falsified the risk tolerance of Linda and Russell Rupp, and misrepresented that the U.S. government wouldn't let Lehman Brothers fail, according to a decision dated yesterday. The Bonita Springs, [Florida](#), couple lost much of the money when the investment bank filed for bankruptcy in September 2008.

Stock brokers are still dealing with the fallout of Lehman's failure five years later as investors who lost money seek compensation in arbitration and courts. [UBS AG \(UBSN\)](#), Switzerland's largest bank, was ordered to pay more than \$10 million by Finra in 2011 over sales of Lehman structured products.

The panel's made the unusual decision to award punitive damages after finding intentional misconduct and gross negligence, according to the decision. Tammy Benson, a spokeswoman for RBC, had no immediate comment.

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