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UBS Financial Services of Puerto Rico (UBSPR) and UBS Financial Services Inc. (UBSFS) were fined Tuesday with an award in a FINRA arbitration case (FINRA #14-403) involving proprietary UBS Bond Funds that concentrated in Puerto Rico debt.

UBSPR and UBSFS were ordered to pay a San Juan couple more than \$2.5 million over allegations of misconduct in the sale of proprietary UBS Closed End Bond Funds and the use of a credit line loan to purchase additional UBS bond funds. Criminal and regulatory investigations of the alleged improper loan scheme and improper sales practices are reported to be pending by the Justice Department, the SEC and FINRA.

UBS funds with Puerto Rican government bonds that UBS had underwritten plunged in value in September 2013.

In the statement of claim, it was alleged that by 2008, the retired couple had consolidated their securities investments with UBS Financial Services of Puerto Rico, and were advised by Jose Gabriel Ramirez, aka "Whopper." Ramirez did not testify at the arbitration hearing. His partner, Carlos Freire, testified for two days, answering questions about the alleged misconduct.

"This is a very significant verdict, as it is rare to obtain a multi-million dollar FINRA arbitration award. Here, this award soundly rejected UBS's central theme that all Puerto Rico investors only wanted tax free Puerto Rico based investments, said Jeffrey Erez, Esq. of Sonn and Erez, who represented the investors. "We contended the UBS Closed End Funds were improperly sold in overconcentrated amounts and that UBS should have never recommended the use of credit line loans to buy even more funds, in violation of SEC regulations and UBS policies," added Erez. "I think we successfully showed that these UBS Puerto Rico centric bond funds were high risk."

"I think the panel was persuaded that our clients were wrongly sold overconcentrated positions in UBS proprietary bond funds, and misadvised to use loans to buy even more funds," said Eliezer Aldarondo, of Aldarondo & Lopez-Bras, who also represented the investors.

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