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Morgan Stanley Ordered to Pay \$4.5 Million to Mexico-Based Trust

FIRA Arbitration Panel Backs Citigroup Unit in Case Over Handling of Assets

By *Matthias Rieker* [Follow](#)

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Morgan Stanley **MS -1.92%** ▼ has been ordered to pay \$4.5 million to a Mexico-based trust, after the trustee accused the bank of mishandling some of its funds, according to arbitration documents seen by The Wall Street Journal.

The trustee is Banamex, the Mexican banking subsidiary of Citigroup Inc., **C -0.39%** ▼ which said Morgan Stanley wrongly used more than \$5 million in assets to guarantee loans to business ventures of a relative of the trust's beneficiary, Maria Teresa Canasi Azar.

The relative wasn't a designated beneficiary, and the trust's assets weren't supposed to be used for a third-party debtor, Banamex argued in an arbitration claim. The assets were later seized to pay back the loans.

Morgan Stanley said it believed the terms of the trust allowed for assets to be used as collateral for loans that benefited the Canasi family. However, an arbitration panel of the Financial Industry Regulatory Authority sided with Banamex on Thursday. It found Morgan Stanley liable for negligence and said it must pay \$4.5 million in compensation.

"We are disappointed in the arbitration panel's award," a Morgan Stanley spokeswoman said Friday.

Jeffrey Erez, a lawyer with Sonn & Erez PLC in Miami who represented Banamex, said, "We got 90% of what we wanted."

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