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# Morgan Stanley loses appeal of \$3.3 million Finra arbitration



The wirehouse sought to toss a large award it lost to investors who owned Puerto Rican bonds

April 13, 2020 *By Bruce Kelly*



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A federal judge in Florida last week tossed Morgan Stanley's motion to appeal a \$3.3 million Finra arbitration award it lost to investors in battered and beleaguered Puerto Rican bonds.

Last July, [Financial Industry Regulatory Authority Inc.](#) arbitrators [ordered Morgan Stanley to pay \\$3.3 million to investors in a Puerto Rican bond case](#), most of it because the firm allegedly concealed evidence in a hearing.

The investors who sued Morgan Stanley are Isabel Litovich-Quintana and Jose A. Torres.

Morgan Stanley "argues the arbitration panel exceeded their powers by awarding \$3,000,000 in sanctions," federal Judge Marcia G. Cooke wrote in an order issued last Wednesday. The firm "reasons that the award was excessive and punitive, which they allege is prohibited under applicable law," according to the order.

The court concluded that Morgan Stanley failed to meet its burden to establish the existence of any one of the four statutory grounds to vacate the arbitration award, according to the order.

"We disagree with the district court's decision in this case," Morgan Stanley spokesperson Christine Jockle wrote in an email.

By denying Morgan Stanley's motion to vacate, the court affirmed that arbitrators have free rein to make large sanctions awards, said Jeff Erez, the attorney for the two plaintiffs in the claim.

"The court here is saying the latitude is very broad," Erez said. "This bolsters arbitrators' authority in Finra arbitrations."

It is another decision that indicates that "courts will not second-guess arbitrators," he added.

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