

Puerto Rico Securities Arbitration Report: 1,974 Arbitration Filings, \$274 million in Settlements and Awards so far (updated June 9, 2017)

By Craig McCann, Chuan Qin and Mike Yan¹

Introduction



In 2013, a shrinking economy and the government's loss of continued access to capital markets necessary to make interest payments, refinance principal coming due and to fund an unsustainable government deficit caused Puerto Rico tax exempt bond prices to fall substantially.

Puerto Rico brokerage firms' customers held poorly diversified securities accounts, concentrated in Puerto Rico municipal bonds or closed end funds that held leveraged portfolios of Puerto Rico municipal bonds. Often these accounts were further leveraged using margin debt, lines of credit or proceeds from non-purpose loans recycled through third-party banks.

The decline in uninsured Puerto Rico municipal bond prices combined with widespread concentrated and leveraged brokerage accounts wiped out many Puerto Rican's investment portfolios in the second half of 2013.

Arbitration filings against brokerage firms in Puerto Rico have increased dramatically since 2012. Despite having roughly 1% of the mainland population and 1/2 of 1% of the mainland economy, customer arbitration filings in Puerto Rico have been over 33% of the mainland filings in 2014 and 2015. See Figure 1.

As we explain below, these arbitrations are filed against brokerage firms, not individual brokers. Yet, FINRA forces individual brokers who are not being sued to report the arbitration filings and settlements as black marks on their records while leaving the brokerage firms' public disclosures largely unscathed.

Figure 1: Arbitration Filings in Puerto Rico increased dramatically after 2012

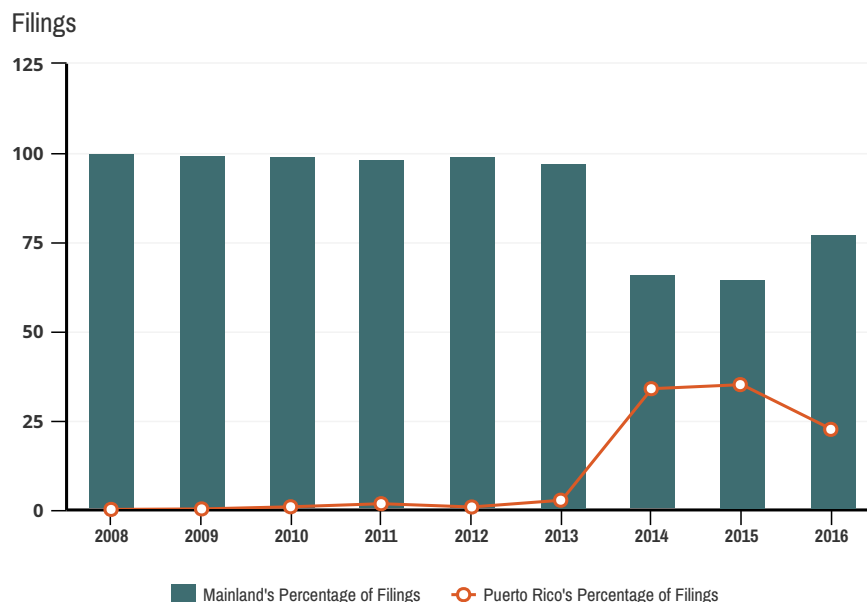


Table 1: Securities Arbitrations against UBS, Santander, Popular, Oriental, and Merrill Lynch in Puerto Rico

Securities Arbitrations in Puerto Rico Since 2013									
		Number					Monetary Results		
		Filed	Settled	Arbitrated		Withdrawn	Pending	Settlements	Awards
				Win	Loss				
2013	Q4	44					44		
	subtotal	44							
2014	Q1	131					175	\$232,232	
	Q2	200					375		
	Q3	186	1				560	\$206,102	
	Q4	194	4				750	\$400,118	
	subtotal	711	5					\$838,451	
2015	Q1	73	19	1	1		802	\$8,921,500	\$17,500
	Q2	96	29	2		1	866	\$8,733,886	\$1,200,000
	Q3	251	65	4	1		1,047	\$12,632,975	\$6,611,486
	Q4	185	85	3		3	1,141	\$18,623,770	\$2,304,099
	subtotal	605	198	10	2	4		\$48,912,131	\$10,133,085
2016	Q1	113	109	3	1	3	1,138	\$22,390,465	\$3,132,588
	Q2	128	110	1	2	7	1,146	\$17,556,703	\$395,197
	Q3	159	122	3		2	1,178	\$20,497,135	\$1,604,856
	Q4	89	145	4		1	1,117	\$27,233,662	\$20,570,976
	subtotal	489	486	11	3	13		\$87,677,964	\$25,703,617
2017	Q1	75	156	6		2	1,028	\$49,401,567	\$33,788,296
	Q2	50	77	1	1		999	\$17,111,055	\$73,000
	subtotal	125	233	7	1	2		\$66,512,622	\$33,861,296
	To Date	1,974	922	28	6	19	999	\$203,941,168	\$69,697,998

Arbitration Statistics

At least 1,849 arbitration cases have been filed against UBS Financial Services Inc. of Puerto Rico, Santander Securities LLC, Popular Securities LLC, Oriental Financial Services Corp. and Merrill Lynch, Pierce, Fenner & Smith Inc. between October 1, 2013 and December 31, 2016. At least 125 more arbitration complaints were filed in the first five months of 2017. See Table 1 and Figure 2.²

The number of new arbitration filings peaked in 2014 at 711 but at least 489 new arbitrations were filed in 2016. Settlements and arbitration awards naturally lag filings. 5 cases were settled in 2014, 198 cases were settled in 2015, 486 cases were settled in 2016 and 233

cases were settled in 2017 by June 9, 2017. With at least 999 cases still pending as of June 9, 2017 and new cases still being filed each quarter, it will be several more years before the Puerto Rico securities arbitrations associated with municipal bond losses in 2013 and thereafter are wound down.

Filings

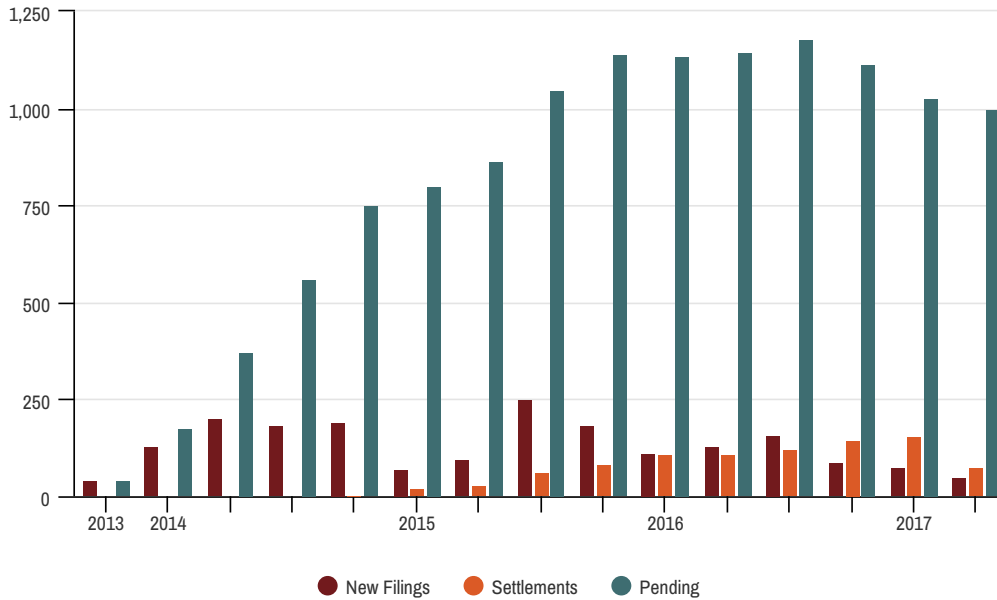
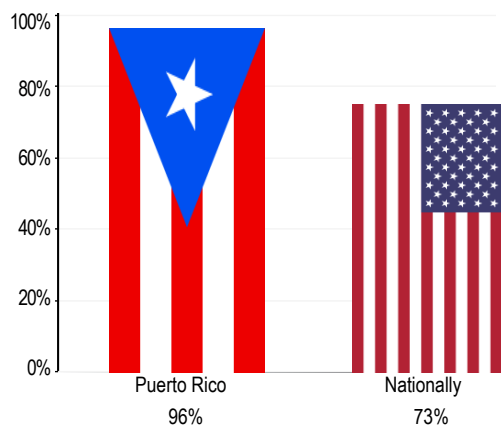


Figure 2: Filings Continue to Accumulate, Pending Complaints Level Off

a) Cases Settled vs Arbitrated



b) Arbitrated Cases Won by Customer

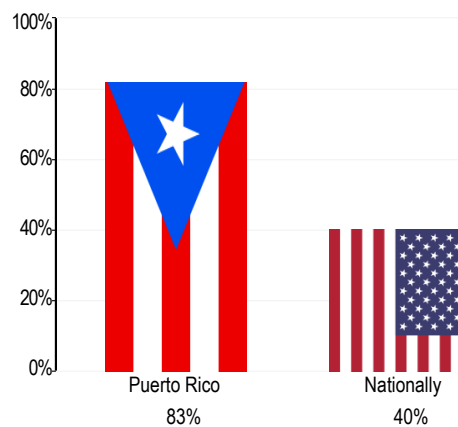


Figure 3: Cases Settled vs Arbitrated in Puerto Rico vs Nationally; Arbitrated Cases Won by Customer in Puerto Rico vs Nationally

922 cases have been settled for a total of \$203.9 million. 34 cases had gone to final arbitration hearings resulting in 28 customer awards totaling \$69.7 million as of June 9, 2017.

The 922 settled cases through June 9, 2017 are 96.4% of the Puerto Rico cases which were either settled or adjudicated. According to FINRA 72.6% of all cases which were either settled or adjudicated from 2014 to 2016 were settled. See Figure 3 a).

At 28-6, customers have so far won 82.4% of the final awards. In contrast, according to FINRA, customers won only 525 of 1,309 (40.1%) final awards during the 2014-2016 time period. The Claimants in Puerto Rico securities arbitrations going to a hearing have been more than twice as successful as the typical FINRA claimant. See Figure 3 b).

The much lower proportion of Puerto Rico cases which go to a hearing than mainland cases and the fact that customers are winning in Puerto Rico at twice the national average strongly suggests too many cases are settling in Puerto Rico rather than going to a hearing.

1,552 of the arbitration cases – 78.6% of the total reported by June 9, 2017 – have been filed against UBS Financial Services Inc. of Puerto Rico (“UBS PR”). UBS PR has settled or arbitrated 793 of its cases and 12 have been withdrawn so 747 remained reported as pending on June 9, 2017. See Table 2 and Figure 4.

In addition, 206 of the arbitration cases – 10.4% of the total reported by June 9, 2017 – have been filed against Santander Securities LLC (“Santander”). Santander had settled or arbitrated

73 cases and 1 has been withdrawn so 132 remained reported as pending on June 9, 2017.

97 of the arbitration cases – 4.9% of the total reported by June 9, 2017 – have been filed against Popular Securities LLC (“Popular”). Popular had settled or arbitrated 38 cases and 3 were withdrawn so 56 remained reported as pending on June 9, 2017.

65 of the arbitration cases – 3.3% of the total reported by June 9, 2017 – have been filed against Merrill Lynch. Merrill

Lynch had settled or arbitrated 32 cases and 2 were withdrawn so 31 remained reported as pending on June 9, 2017.

54 of the arbitration cases – 2.7% of the total reported by June 9, 2017 – have been filed against Oriental Financial Services Corp. (“Oriental”). Oriental had settled or arbitrated 20 cases and 1 has been withdrawn so 33 remained reported as pending on June 9, 2017.

Table 2: Securities Arbitrations Filed and Pending by Brokerage Firm

Securities Arbitrations in Puerto Rico													
		Total		UBS PR		Santander		Popular		Merrill Lynch		Oriental	
		Filed	Pending	Filed	Pending	Filed	Pending	Filed	Pending	Filed	Pending	Filed	Pending
2013	Q4	44	44	37	37	2	2	1	1	3	3	1	1
	subtotal	44		37		2		1		3		1	
2014	Q1	131	175	118	155	6	8	1	2	4	7	2	3
	Q2	200	375	168	323	13	21	11	13	4	11	4	7
	Q3	186	560	133	455	24	45	12	25	11	22	6	13
	Q4	194	750	162	615	11	54	12	37	5	27	4	17
	subtotal	711		581		54		36		24		16	
2015	Q1	73	802	55	653	7	59	7	44	2	29	2	17
	Q2	96	866	83	710	4	59	1	45	3	31	5	21
	Q3	251	1,047	219	873	15	70	6	46	8	36	3	22
	Q4	185	1,141	147	951	16	77	11	52	6	34	5	27
	subtotal	605		504		42		25		19		15	
2016	Q1	113	1,138	83	942	16	79	8	57	2	31	4	29
	Q2	128	1,146	91	929	23	97	7	60	7	33	0	27
	Q3	159	1,178	104	931	33	119	9	61	6	37	7	30
	Q4	89	1,117	60	857	16	129	4	61	2	35	7	35
	subtotal	489		338		88		28		17		18	
2017	Q1	75	1,028	54	775	13	129	3	57	2	32	3	35
	Q2	50	999	38	747	7	132	4	56		31	1	33
	subtotal	125		92		20		7		2		4	
To Date		1,974	999	1,552	747	206	132	97	56	65	31	54	33

Filings

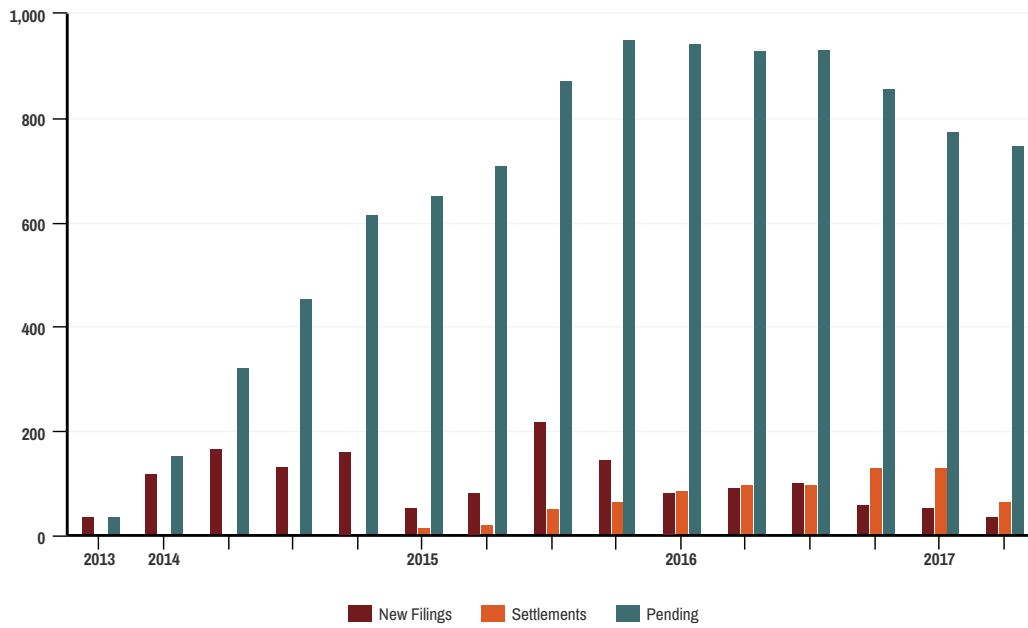


Figure 4: Vast Majority of Filings Against UBS of Puerto Rico

Pending Cases

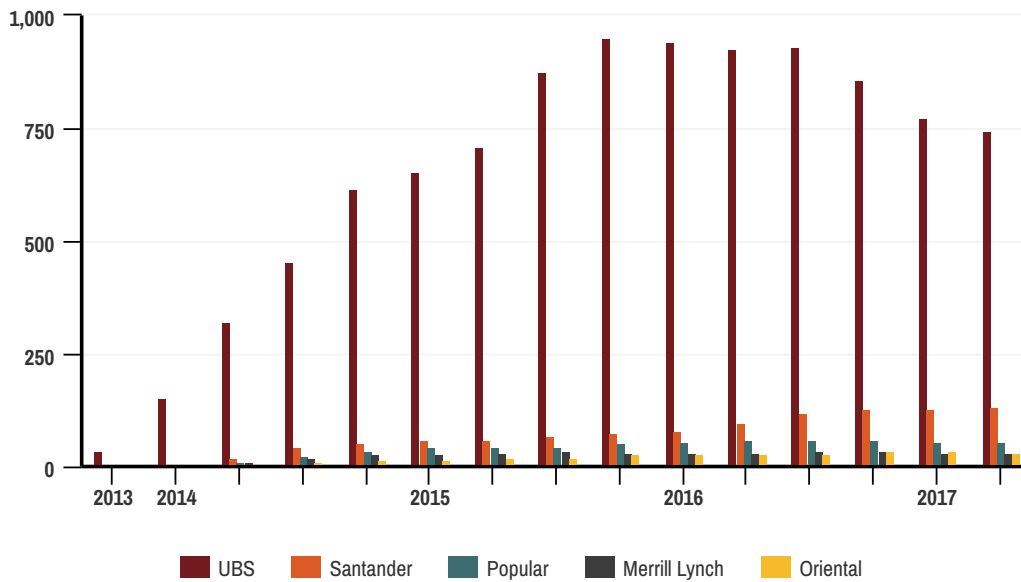


Figure 5: Nearly 1,000 Pending Cases Remain Against UBS of Puerto Rico

Methodology and Data

We identify arbitration filings and settlements by examining the BrokerCheck reports of brokers registered with UBS PR, Santander, Popular, Oriental and Merrill Lynch at any time between 2005 and 2013. We assign arbitration filings found on the brokers' BrokerCheck reports according to a field which identifies the employing firm where the complained of conduct occurred. For example, if a current Santander broker has an arbitration filing listed on her BrokerCheck report that specifies UBS PR as the firm where the conduct occurred we assign that filing to UBS PR not Santander.

We found 2,828 arbitrations filed after September 30, 2013 on 311 individual brokers' BrokerCheck reports. After eliminating duplicates, 1,849 unique arbitrations were reported on at least one broker's BrokerCheck report as having been filed against the five Puerto Rico brokerage firms between September 30, 2013 and December 31, 2016 (plus 125 more reported in 2017).

Since brokerage firms associate most but not all arbitration filings with one or more individual brokers and only arbitrations resulting in a customer award at final hearing are reflected on brokerage firms' BrokerCheck reports, our results may underestimate the actual number of cases filed, settled or still pending.

In addition, brokerage firms appear to have considerable discretion when reporting dollar values of individual settlements and awards. For instance, we observe settlements and awards where Claimants receive large cash payments and are absolved of debit balances created as a result of investment losses complained about and which Respondents seek to collect. Claimants' counsel is typically compensated for debit balances zeroed out and logically these nullified debit balances should be included in the disclosed monetary compensation paid but are not.

FINRA and the brokerage firms have information which would reflect additional filings and settlements and higher dollar figures than we can estimate from individual brokers' BrokerCheck reports. The industry could disclose precisely how many cases have been filed against a firm in Puerto Rico and how much has been paid to settle the cases but does not disclose this information.

We develop our lower bound estimate of the number of cases filed, settled or pending by building up from cases identified on brokers' BrokerCheck reports because brokerage firms' BrokerCheck reports are uninformative. For example, UBS PR's BrokerCheck report (available at https://files.brokercheck.finra.org/firm/firm_13042.pdf) includes only 25 cases filed since September 30, 2013 even though at least 1,552 arbitrations have been filed against UBS PR since that date. These 25 cases are only the cases which have gone to a final hearing and which UBS PR reported having lost by June 9, 2017. FINRA does not report the remaining 1,527 arbitrations filed against UBS PR on UBS PR's BrokerCheck report.

Brokers are not named in the vast majority of arbitrations filings; in most cases customers sue only their brokerage firm - UBS PR, Santander, Popular, Oriental and Merrill Lynch in the case of recent Puerto Rico securities arbitrations. Brokers rarely make any contribution to the payments. Brokers contributed to only 0.33% (3 of 922) of the settlements identified in Table 1, and only 0.05% (\$97,178) of the \$203.9 million in settlements.

Despite not being named in the arbitrations and not contributing to the settlements, the 922 settled cases filed since September 30, 2013 are reported on the brokers' BrokerCheck reports but missing from the BrokerCheck reports of the brokerage firms actually being sued - UBS PR, Santander, Popular, Oriental and Merrill Lynch.

FINRA applies the same perverse logic to pending cases. The 999 pending cases we identified are all listed on at least one individual broker's BrokerCheck report yet all are missing from the BrokerCheck reports of UBS PR, Santander, Popular, Oriental and Merrill Lynch.

In sum, there have been at least 1,974 arbitrations filed against UBS PR, Santander, Popular, Oriental and Merrill Lynch in Puerto Rico but only 28 show up on these five firms' BrokerCheck reports despite the lawsuits being virtually all filed only against the brokerage firms; all but 6 cases where the customer lost at a final hearing on the other hand are on the individual brokers' BrokerCheck reports despite the fact the brokers were not sued and were not contributing to the settlements.

UBS Financial Services, Inc. of Puerto Rico

UBS Financial Services Inc. of Puerto Rico is a FINRA-registered brokerage firm based in Hato Rey, PR. It was formed in April 1978, has been registered with SEC since November 1982, registered with FINRA since March 1983, and registered with the Office of the Commissioner of Financial Institutions (“OCFI”) since September 1984.³ At the end of 2013 UBS PR employed 231 FINRA-registered brokers working out of offices in San Juan, Guaynabo, Ponce, and Mayaguez.⁴ The firm’s customer assets under control was \$16.4 billion and \$11.6 billion as of December 31, 2012 and December 31, 2013, respectively.⁵

UBS PR’s parent company, UBS Financial Services Inc., currently has 14,489 employees. 12,553 of these employees are registered representatives of a broker-dealer and 10,423 perform investment advisory functions. UBS Financial Services Inc. has \$358.3 billion in regulatory assets under management in 860,383 discretionary or non-discretionary customer accounts.

There are 387 brokers registered with UBS PR at some point in time between 2005 and 2013. 182 of these brokers have at least one customer complaint against UBS PR on their BrokerCheck reports filed on or after October 1,

2013.⁶ The total number of customer complaints against UBS PR reported on these brokers’ BrokerCheck reports is 2,262. Removing duplicates, we find that there are 1,552 customer-related arbitrations reported on individual brokers’ BrokerCheck reports as filed against UBS PR between September 30, 2013 and June 9, 2017.

UBS PR has paid at least \$180.3 million settling 765 filings as of June 9, 2017. 28 have gone to a final hearing and at least 747 are still pending with many more being filed each quarter. See Table 3.

Arbitrations Against UBS Financial Services, Inc. of Puerto Rico									
		Number					Monetary Results		
		Filed	Settled	Arbitrated		Withdrawn	Pending	Settlements	Awards
				Win	Loss				
2013	Q1	37					37		
	subtotal	37							
2014	Q1	118					155		
	Q2	168					323		
	Q3	133	1				455	\$165,050	
	Q4	162	2				615	\$132,000	
	subtotal	581	3					\$297,050	
2015	Q1	55	17				653	\$8,738,500	
	Q2	83	23	2		1	710	\$7,406,782	\$1,200,000
	Q3	219	51	4	1		873	\$9,991,025	\$6,611,486
	Q4	147	64	3		2	951	\$16,172,239	\$2,304,099
	subtotal	504	155	9	1	3		\$42,308,546	\$10,115,585
2016	Q1	83	87	3	1	1	942	\$19,516,215	\$3,132,588
	Q2	91	97	1	1	5	929	\$16,268,703	\$395,197
	Q3	104	98	2		2	931	\$18,374,635	\$1,250,000
	Q4	60	130	4			857	\$24,652,112	\$20,570,976
	subtotal	338	412	10	2	8		\$78,811,664	\$25,348,761
2017	Q1	54	130	5		1	775	\$42,945,586	\$32,980,296
	Q2	38	65	1			747	\$15,971,555	\$73,000
	subtotal	92	195	6		1		\$58,917,141	\$33,053,296
To Date		1,552	765	25	3	12	747	\$180,334,401	\$68,517,643

Table 3: Securities Arbitrations filed against UBS

Santander Securities LLC

Santander Securities LLC is a brokerage and investment advisor firm formed in Puerto Rico in November 2011 headquartered in Dorchester, Massachusetts.⁷ It has been registered with SEC, FINRA, and the OCFI since December 1996.⁸ At the end of 2013 Santander had 85 FINRA-registered brokers in offices in San Juan, Guaynabo, Mayaguez, Bayamon, and Carolina.⁹ Customer assets under the firm's control was \$5.65 billion at the end of 2012 and \$4.52 billion at the end of 2013.¹⁰

Santander has been registered with SEC since September 1999 as an investment advisor firm.¹¹ The firm currently has

844 employees. 217 of these employees perform investment advisory functions and 715 are registered representatives of a broker-dealer. Santander has \$556.14 billion in regulatory assets under management in 3,432 customer accounts, all non-discretionary. The firm currently has no branch office in Puerto Rico.¹²

There are 225 brokers who were registered with Santander Securities LLC at some time between 2005 and 2013 and had an office in Puerto Rico. 51 of these brokers have at least one customer complaint against Santander on their BrokerCheck reports filed on or after October 1, 2013. The total number of

customer complaints against Santander reported on these brokers' BrokerCheck reports is 286. Eliminating duplicates, we find that there are 206 customer-related arbitrations reported on individual brokers' BrokerCheck reports as filed against Santander Securities LLC between September 30, 2013 and June 9, 2017.

Santander has paid \$14.4 million settling 71 of them as of June 9, 2017. 2 have gone to a final hearing and 132 are still pending with many more being filed each quarter.

Table 4: Securities Arbitrations filed against Santander Securities

Arbitrations Against Santander Securities LLC									
		Number					Monetary Results		
		Filed	Settled	Arbitrated		Withdrawn	Pending	Settlements	Awards
				Win	Loss				
2013	Q4	2					2		
	subtotal	2							
2014	Q1	6					8		
	Q2	13					21		
	Q3	24					45		
	Q4	11	2				54	\$211,000	
	subtotal	54	2					\$211,000	
2015	Q1	7	1	1			59	\$120,000	\$17,500
	Q2	4	4				59	\$1,029,103	
	Q3	15	4				70	\$465,000	
	Q4	16	9				77	\$1,190,000	
	subtotal	42	18	1				\$2,804,103	\$17,500
2016	Q1	16	14				79	\$2,483,750	
	Q2	23	3		1	1	97	\$407,500	
	Q3	33	11				119	\$1,421,500	
	Q4	16	6				129	\$1,725,000	
	subtotal	88	34		1	1		\$6,037,750	
2017	Q1	13	13				129	\$5,039,000	
	Q2	7	4				132	\$354,000	
	subtotal	20	17					\$5,393,000	
To Date		206	71	1	1	1	132	\$14,445,853	\$17,500

Popular Securities, LLC

Popular Securities LLC is a brokerage and investment advisor firm based in San Juan, Puerto Rico and was formed in Puerto Rico in January 2014. The firm has been registered with SEC since November 1979, with FINRA since February 1980, and with the state regulator in Puerto Rico since September 1984.¹³ At the end of 2013 Popular had 119 FINRA-registered brokers in offices in San Juan, Mayaguez, Arecibo, and Ponce.¹⁴ The firm's customer asset under control was \$4.63 billion at the end of 2012 and \$4.05 billion at the end of 2013.¹⁵

Popular has been registered with SEC since September 2000 as an investment advisor firm.¹⁶ The firm currently has

127 employees. 50 of these employees perform investment advisory functions and 127 are registered representatives of a broker-dealer. Popular has \$824,400,000 regulatory assets under management in 1,713 non-discretionary customer accounts. The firm has five Puerto Rico branch offices in the cities of San Juan, Mayaguez, Ponce, and Santurce.¹⁷

There are 235 brokers who were registered with Popular at some time between 2005 and 2013 and had an office in Puerto Rico. 49 of these brokers have at least one customer complaint against Popular on their BrokerCheck

reports filed on or after October 1, 2013. The total number of customer complaints against Popular reported on these brokers' BrokerCheck reports is 157. Eliminating duplicates, we find that there are 97 customer-related arbitrations reported on individual brokers' BrokerCheck reports as filed against Popular between September 30, 2013 and June 9, 2017.

Popular has paid \$2.9 million settling 37 of the customer complaints as of June 9, 2017. 1 has gone to a final hearing and 56 are still pending.

Arbitrations Against Popular Securities LLC									
		Number					Monetary Results		
		Filed	Settled	Arbitrated		Withdrawn	Pending	Settlements	Awards
				Win	Loss				
2013	Q4	1					1		
	subtotal	1							
2014	Q1	1					2		
	Q2	11					13		
	Q3	12					25	\$41,052	
	Q4	12					37	\$57,118	
	subtotal	36						\$98,170	
2015	Q1	7					44		
	Q2	1					45		
	Q3	6	5				46	\$239,450	
	Q4	11	4			1	52	\$302,500	
	subtotal	25	9			1		\$541,950	
2016	Q1	8	2			1	57	\$62,500	
	Q2	7	4				60	\$374,000	
	Q3	9	7	1			61	\$498,000	
	Q4	4	3			1	61	\$205,000	
	subtotal	28	16	1		2		\$1,139,500	
2017	Q1	3	7				57	\$479,481	
	Q2	4	5				56	\$615,500	
	subtotal	7	12					\$479,481	
	To Date	97	37	1		3	56	\$2,874,601	
								\$354,856	

Table 5: Securities Arbitrations files against Popular Securities

Merrill Lynch, Pierce, Fenner & Smith Inc. (“Merrill Lynch”)

Merrill Lynch is a brokerage and investment advisor firm based in New York, New York and was formed in Delaware in November 1958. The firm has been registered with SEC since March 1959, with FINRA since January 1937, and with the state regulator in Puerto Rico since September 1984.¹⁸ As of the end of 2013 Merrill Lynch had 52 FINRA-registered brokers in offices in Guaynabo.¹⁹ The customer asset under the firm’s control was \$4,169,217,270 at the end of 2012 and \$3,900,450,957 at the end of 2013.²⁰

Merrill Lynch has been registered with SEC since December 1978 as an investment advisor firm.²¹ The firm currently

has 39,631 employees. 25,760 of these employees perform investment advisory functions and 33,070 are registered representatives of a broker-dealer. Merrill Lynch has \$575,341,577,965 regulatory assets under management in 1,715,259 customer accounts, either discretionary or non-discretionary.²² Merrill Lynch has one Puerto Rico branch offices in the city of Guaynabo according to the firm’s website.²³

There are 69 brokers who were registered with Merrill Lynch at some time between 2005 and 2013 and had an office in Puerto Rico. 26 of these brokers have at least one customer complaint against Merrill Lynch on their Broker-

Check reports filed on or after October 1, 2013. The total number of customer complaints against Merrill Lynch reported on these brokers’ BrokerCheck reports is 80. Eliminating duplicates, we find that there are 65 customer-related arbitrations reported on individual brokers’ BrokerCheck reports as against Merrill Lynch filed between September 30, 2013 and June 9, 2017.

Merrill Lynch has paid \$5.4 million settling 32 of them as of June 9, 2017. None has gone to a final hearing, 2 were withdrawn and 31 were still pending as of June 9, 2017.

Table 6: Securities Arbitrations filed against Merrill Lynch

Arbitrations Against Merrill Lynch									
		Number					Monetary Results		
		Filed	Settled	Arbitrated		Withdrawn	Pending	Settlements	Awards
				Win	Loss				
2013	Q4	3					3		
	subtotal	3							
2014	Q1	4					7	\$232,232	
	Q2	4					11		
	Q3	11					22		
	Q4	5					27		
	subtotal	24						\$232,232	
2015	Q1	2					29		
	Q2	3	1				31	\$298,000	
	Q3	8	3				36	\$1,880,000	
	Q4	6	8				34	\$948,497	
	subtotal	19	12					\$3,126,497	
2016	Q1	2	4			1	31	\$172,500	
	Q2	7	4			1	33	\$259,000	
	Q3	6	2				37	\$95,000	
	Q4	2	4				35	\$591,550	
	subtotal	17	14			2		\$1,118,050	
2017	Q1	2	5				32	\$902,500	
	Q2		1				31	\$40,000	
	subtotal	2	6				31	\$942,500	
	To Date	65	32	0	0	2	31	\$5,419,279.00	

Oriental Financial Services Corp

Oriental Financial Services Corp. is a brokerage and investment advisor firm based in San Juan, Puerto Rico and was formed in Puerto Rico in December 1991. The firm has been registered with SEC since August 1992, with FINRA and the state regulator in Puerto Rico since January 1993.²⁴ At the end of 2013 Oriental had 55 FINRA-registered brokers in offices in San Juan, Guaynabo, Ponce, Mayaguez, and Humacao.²⁵ Customer assets under the firm's control was \$2,135,842,000 at the end of 2012 and \$2,381,054,000 at the end of 2013.²⁶

Oriental has been registered with SEC since April 2015 as an investment

advisor firm.²⁷ The firm currently has 47 employees. All these employees perform investment advisory functions and are registered representatives of a broker-dealer. Oriental has \$119,240,240 regulatory assets under management in 496 non-discretionary customer accounts. The firm has eleven Puerto Rico branch offices in the cities of Guaynabo, San Juan, Mayaguez, Ponce, Humacao, and Yauco.²⁸

There are 132 brokers who were registered with Oriental at some time between 2005 and 2013 and had an office in Puerto Rico. 27 of these brokers have at least one customer complaint against Oriental on their BrokerCheck

reports filed on or after October 1, 2013. The total number of customer complaints against Oriental reported on these brokers' BrokerCheck reports is 67. Eliminating duplicates, we find that there are 54 customer-related arbitrations reported on individual brokers' BrokerCheck reports as against Oriental filed between September 30, 2013 and June 9, 2017.

Oriental has paid \$0.87 million settling 17 of the customer complaints as of June 9, 2017. Three have gone to a final hearing and 33 are still pending.

Arbitrations Against Oriental Financial Services Corp.									
		Number					Monetary Results		
		Filed	Settled	Arbitrated		Withdrawn	Pending	Settlements	Awards
				Win	Loss				
2013	Q4	1					1		
	subtotal	1							
2014	Q1	2					3		
	Q2	4					7		
	Q3	6					13		
	Q4	4					17		
	subtotal	16							
2015	Q1	2	1		1		17	\$63,000	
	Q2	5	1				21		
	Q3	3	2				22	\$57,500	
	Q4	5	0				27	\$10,534	
	subtotal	15	4		1			\$131,034	
2016	Q1	4	2				29	\$155,500	
	Q2	0	2				27	\$247,500	
	Q3	7	4				30	\$108,000	
	Q4	7	2				35	\$60,000	
	subtotal	18	10					\$571,000	
2017	Q1	3	1	1		1	35	\$35,000	\$808,000
	Q2	1	2		1		33	\$130,000	
	subtotal	4	3	1	1	1		\$165,000	\$808,000
	To Date	54	17	1	2	1	33	\$867,034	\$808,000

Table 7: Securities Arbitrations filed against Oriental Financial Services

Endnotes

1. © Securities Litigation and Consulting Group, Inc, 2017. The primary authors of this report are Craig McCann, Chuan Qin and Mike Yan.
2. The numbers reported in the text and tables are based on BrokerCheck reports downloaded on June 9, 2017.
3. UBS of Puerto Rico's BrokerCheck report is available at http://files.brokercheck.finra.org/firm/firm_13042.pdf
4. Based on BrokerCheck reports as of December 31, 2013.
5. See http://www.ocif.gobierno.pr/documents/Q2-2013/total_customer_asset_under_control.pdf at the Office of the Commissioner of Financial Institutions of Puerto Rico:
6. A customer complaint is a "Customer Dispute" event with status "Settled", "Pending", or "Award/Judgment" as disclosed on a broker's BrokerCheck report.
7. Santander moved its home office location from San Juan, PR to Dorchester, MA in July 2016.
8. Santander's BrokerCheck report is available at https://files.brokercheck.finra.org/firm/firm_41791.pdf.
9. Based on BrokerCheck reports as of December 31, 2013.
10. See http://www.ocif.gobierno.pr/documents/Q2-2013/total_customer_asset_under_control.pdf.
11. See https://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=41791.
12. See the Form ADV filed by Santander on January 5, 2017.
13. See FINRA's BrokerCheck report for Popular here http://files.brokercheck.finra.org/firm/firm_8096.pdf
14. Based on BrokerCheck reports as of December 31, 2013.
15. See http://www.ocif.gobierno.pr/documents/Q2-2013/total_customer_asset_under_control.pdf.
16. See https://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=8096.
17. See the Form ADV of Popular, last updated on September 30, 2016.
18. See FINRA's BrokerCheck report for Merrill Lynch.
19. Based on BrokerCheck reports as of December 31, 2013.
20. See http://www.ocif.gobierno.pr/documents/Q2-2013/total_customer_asset_under_control.pdf.
21. See https://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=7691.
22. See the Form ADV of Merrill Lynch, last updated on January 9, 2017. It is not clear whether the firm has branch office in Puerto Rico from the Form ADV.
23. See <https://www.ml.com/mlwm/pages/BranchByState.aspx?stateid=PR&statename=PUERTO%20RICO>.
24. Oriental's BrokerCheck report is available here https://files.brokercheck.finra.org/firm/firm_29753.pdf
25. Based on BrokerCheck reports as of December 31, 2013.
26. See http://www.ocif.gobierno.pr/documents/Q2-2013/total_customer_asset_under_control.pdf.
27. See https://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=29753.
28. See the Form ADV of Oriental, last updated on March 30, 2016.