

**Award**  
**FINRA Dispute Resolution**

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In the Matter of the Arbitration Between:

Claimant  
Ricardo J. Chipi

Case Number: 14-02683

vs.

Respondents  
UBS Financial Services, Inc.  
UBS Financial Services Incorporated of Puerto Rico  
Jose G. Ramirez

Hearing Sites: San Juan, Puerto Rico  
and Boca Raton, Florida

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Nature of the Dispute: Customer vs. Members and Associated Person

This case was decided by a majority-public panel.

**REPRESENTATION OF PARTIES**

For Claimant Ricardo J. Chipi: Lloyd R. Schwed, Esq., Schwed Kahle & Kress, P.A., Palm Beach Gardens, Florida and María Victoria Múnera-Pascual, Esq., Múnera & Mercado, San Juan, Puerto Rico.

For Respondents UBS Financial Services, Inc. ("UBS") and UBS Financial Services Incorporated of Puerto Rico ("UBSPR"): Peter J. Macdonald, Esq. and Brad Konstandt, Esq., Wilmer Cutler Pickering Hale and Dorr LLP, New York, New York and Roberto C. Quinones, Esq., McConnell Valdes LLC, Hato Rey, Puerto Rico.

For Respondent Jose G. Ramirez ("Ramirez"): Guillermo Ramos-Luina, Esq., San Juan, Puerto Rico.

**CASE INFORMATION**

Statement of Claim filed on or about: August 29, 2014.  
Ricardo J. Chipi signed the Submission Agreement: August 28, 2014.

Statement of Answer filed by Respondents UBS and UBSPR on or about: November 21, 2014.  
Respondent UBS signed the Submission Agreement: September 4, 2014.  
Respondent UBSPR signed the Submission Agreement: October 1, 2014.

Statement of Answer filed by Respondent Ramirez on or about: November 26, 2014.

Respondent Ramirez signed the Submission Agreement: November 25, 2014.

### **CASE SUMMARY**

In the Statement of Claim, Claimant asserted the following causes of action: breach of contract; breach of a broker's duty of reasonable care; breach of a broker's duty to supervise and ensure compliance with firm and industry rules; negligent and intentional misrepresentation; fraud and deceit; breach of contract and covenant of good faith and fair dealing; gross negligence and ordinary negligence; violations of state securities laws; violations of FINRA Rules of fair practice, including the suitability, know your customer and margin maintenance rules; respondeat superior; and control person liability. The causes of action relate to, among other things, Claimant's investments in Puerto Rico closed-end mutual funds concentrated in Puerto Rico bonds.

Unless specifically admitted in their Answer, Respondents UBS and UBSPR denied the allegations made in the Statement of Claim and asserted various affirmative defenses.

Unless specifically admitted in his Answer, Respondent Ramirez invoked his right against self-incrimination, pursuant to the Fifth Amendment of the United States Constitution and Article II, Section 11, of the Constitution of the Commonwealth of Puerto Rico, and denied the allegations made in the Statement of Claim.

### **RELIEF REQUESTED**

In the Statement of Claim, Claimant requested: compensatory damages in excess of \$900,000.00, plus the growth and income that would have been generated on Claimant's principal if the money had been properly invested; a full accounting of Claimant's investment accounts and UBS's handling of Claimant's money; disgorgement of all commissions, margin interest and any other compensation or fees received by Respondents in connection with Claimant's accounts; rescission of all unsuitable or improper transactions; pre-judgment and post-judgment interest at the legal rate during the applicable period; costs and fees of this action, including FINRA fees and expert witness fees; reasonable attorneys' fees pursuant to Puerto Rican law; punitive damages in the amount of \$3,000,000.00; and such other relief as the Panel deemed appropriate.

At the close of the hearing, Claimant requested: compensatory damages in the amount of \$1,033,000.00; attorneys' fees in the amount of \$402,490.00; costs in the amount of \$45,170.00; pre-judgment interest in the amount of \$180,000.00; and punitive damages in an amount between \$5,000,000.00 and \$20,000,000.00.

In the Statement of Answer, Respondents UBS and UBSPR requested: that Claimant take nothing by his claims and that his claims be dismissed in their entirety, with prejudice; that all FINRA fees and costs be assessed against Claimant; that the Panel make specific findings to allow the expungement of any record of this arbitration from the Central Registration Depository ("CRD") records of any financial advisors or other

UBS personnel identified in the Statement of Claim or otherwise affected by the Statement of Claim; and such other and further relief as the Panel deemed just and equitable.

In his Statement of Answer, Respondent Ramirez requested that the Statement of Claim be dismissed.

### **OTHER ISSUES CONSIDERED AND DECIDED**

The Arbitrators acknowledge that they have each read the pleadings and other materials filed by the parties.

On or about November 17, 2015, Claimant filed with FINRA Dispute Resolution a notice of dismissal without prejudice of his claims against Respondent Ramirez, whom consented to the dismissal without prejudice. Accordingly, the Panel made no determinations with respect to the claims asserted by Claimant against Respondent Ramirez in the Statement of Claim.

During the November 2015 evidentiary hearings, the Panel granted the parties' request to hold a final evidentiary hearing on December 17, 2015, in Boca Raton, Florida, so the Panel could hear the parties' closing arguments.

Inasmuch as Respondents did not reassert their request for expungement on behalf of any affected UBS and UBSPR personnel, the Panel deemed this request to be withdrawn.

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

### **AWARD**

After considering the pleadings, the testimony and evidence presented at the recorded in-person hearing, and the post-hearing submissions, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. Respondents UBS and UBSPR are jointly and severally liable for all claims asserted by Claimant, except gross negligence, and shall pay to Claimant compensatory damages in the amount of \$500,000.00.
2. Respondents UBS and UBSPR are jointly and severally liable and shall pay to Claimant attorneys' fees in the amount of \$250,000.00, pursuant to federal and state statutes and Commonwealth of Puerto Rico law.
3. Respondents UBS and UBSPR are jointly and severally liable and shall pay to Claimant costs in the amount of \$45,170.00.
4. Respondents UBS and UBSPR are jointly and severally liable and shall pay to

Claimant \$600.00 as reimbursement for the non-refundable portion of Claimant's initial claim filing fee previously paid to FINRA Dispute Resolution.

5. Respondents UBS and UBSPR are jointly and severally liable and shall pay to Claimant interest at the Commonwealth of Puerto Rico statutory rate of 4.25% per annum on all amounts awarded from the date of this Award until paid in full.
6. Any and all claims for relief not specifically addressed herein, including Claimant's request for punitive damages, are denied.

### **FEES**

Pursuant to the Code of Arbitration Procedure, the following fees are assessed:

#### **Filing Fees**

FINRA Dispute Resolution assessed a filing fee\* for each claim:

Initial Claim Filing Fee	=\$ 1,800.00
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\*The filing fee is made up of a non-refundable and a refundable portion.

#### **Member Fees**

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. Accordingly, as parties, Respondents UBS and UBSPR are assessed the following:

For UBS:

Member Surcharge	=\$ 2,800.00
Pre-Hearing Processing Fee	=\$ 750.00
Hearing Processing Fee	=\$ 5,000.00

For UBSPR:

Member Surcharge	=\$ 2,800.00
Pre-Hearing Processing Fee	=\$ 750.00
Hearing Processing Fee	=\$ 5,000.00

#### **Discovery-Related Motion Fees**

Fees apply for each decision rendered on a discovery-related motion.

One (1) Decision on a discovery-related motion on the papers with one (1) arbitrator @ \$200.00	=\$ 200.00
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Claimant submitted one (1) discovery-related motion

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Total Discovery-Related Motion Fee	= \$ 200.00
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The Panel has assessed the total discovery-related motion fee of \$200.00 to Respondents UBS and UBSPR, jointly and severally.

**Hearing Session Fees and Assessments**

The Panel has assessed hearing session fees for each session conducted. A session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with the arbitrator(s) that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session with a single arbitrator @ \$450.00/session	= \$ 450.00
Pre-hearing conference: September 11, 2015 1 session	

One (1) Pre-hearing session with the Panel @ \$1,200.00/session	= \$ 1,200.00
Pre-hearing conference: February 4, 2015 1 session	

Sixteen (16) Hearing sessions @ \$1,200.00/session	= \$19,200.00
Hearing Dates: November 16, 2015 3 sessions	
November 17, 2015 3 sessions	
November 18, 2015 3 sessions	
November 19, 2015 3 sessions	
November 20, 2015 2 sessions	
December 17, 2015 2 sessions	

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Total Hearing Session Fees	= \$20,850.00
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The Panel has assessed the total hearing session fees of \$20,850.00 to Respondents UBS and UBSPR, jointly and severally.

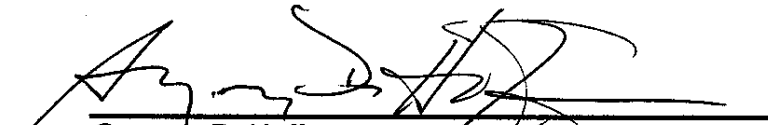
All balances are payable to FINRA Dispute Resolution and are due upon receipt.

**ARBITRATION PANEL**

Gregory D. Hoffmann	-	Public Arbitrator, Presiding Chairperson
Ivy Robin Ginsberg	-	Public Arbitrator
James P. Kinkade	-	Non-Public Arbitrator

I, the undersigned Arbitrator, do hereby affirm that I am the individual described herein and who executed this instrument which is my award.

**Concurring Arbitrators' Signatures**

  
\_\_\_\_\_  
Gregory D. Hoffmann  
Public Arbitrator, Presiding Chairperson

DECEMBER 23, 2015  
\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Ivy Robin Ginsberg  
Public Arbitrator

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
James P. Kinkade  
Non-Public Arbitrator

\_\_\_\_\_  
Signature Date

DECEMBER 24, 2015

\_\_\_\_\_  
Date of Service (For FINRA Dispute Resolution office use only)

**ARBITRATION PANEL**

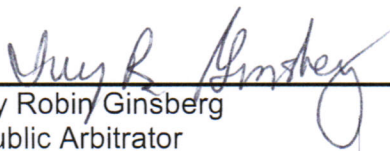
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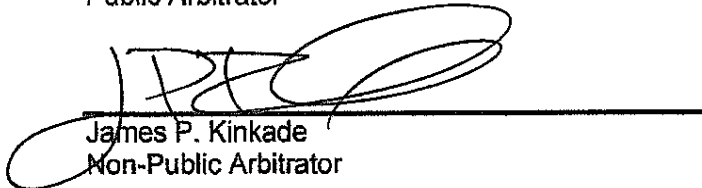
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Ivy Robin Ginsberg  
Public Arbitrator

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Signature Date

  
\_\_\_\_\_  
James P. Kinkade  
Non-Public Arbitrator

December 24 2015  
Signature Date

DECEMBER 24, 2015

\_\_\_\_\_  
Date of Service (For FINRA Dispute Resolution office use only)