



Puerto Rico Securities Arbitrations: 2,983 Filings, \$470 million in Settlements and Awards so far (updated September, 2018)

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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 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 misleadingly leaving the brokerage firms’ public disclosures largely unscathed.

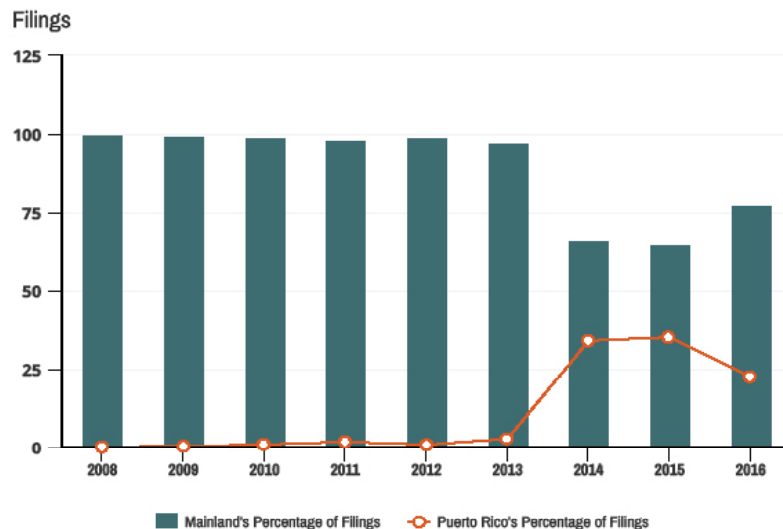


Figure 1: Arbitration Filings in Puerto Rico Increased Dramatically After 2012

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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		Filed	Settled	Arbitrated		Withdrawn	Pending	Settlements	Awards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	132					176	\$232,232	
	Q2	200					376		
	Q3	185	1				560	\$206,102	
	Q4	194	4				750	\$400,118	
Subtotal		711	5					\$838,451	
2015	Q1	72	19	1	1		801	\$8,921,500	\$17,500
	Q2	97	29	2		1	866	\$8,733,886	\$1,200,000
	Q3	250	65	4	1		1,046	\$12,632,975	\$6,611,486
	Q4	182	85	3		5	1,135	\$18,623,770	\$2,304,099
Subtotal		601	198	10	2	6		\$48,912,131	\$10,133,085
2016	Q1	115	109	4	1	4	1,132	\$22,390,465	\$3,132,588
	Q2	129	110	1	2	13	1,135	\$17,556,703	\$395,197
	Q3	159	123	3		5	1,163	\$20,672,135	\$1,604,856
	Q4	90	146	4		3	1,100	\$27,252,729	\$20,570,976
Subtotal		493	488	12	3	25		\$87,872,032	\$25,703,617
2017	Q1	77	157	6		2	1,012	\$50,251,567	\$33,788,296
	Q2	138	135	2	1	1	1,011	\$36,564,118	\$866,678
	Q3	150	117			2	1,042	\$44,007,500	
	Q4	201	118				1,125	\$26,293,933	
Subtotal		566	527	8	1	5		\$157,117,117	\$34,654,974
2018	Q1	215	105	5	1	3	1,226	\$34,964,777	\$3,174,970
	Q2	250	148	1	1	9	1,317	\$40,364,122	\$4,895,947
	Q3	103	60	2		1	1,357	\$20,729,186	\$550,000
Subtotal		568	313	8	2	13		\$96,058,085	\$8,620,917
To Date		2,983	1,531	38	8	49	1,357	\$390,797,817	\$79,112,593

Arbitration Statistics

At least 2,983 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 September 7, 2018. See Table 1 and Figure 2.²

The number of new arbitration filings peaked in 2014 at 711 but 568 new

arbitrations have been filed in so far in 2018. New filings in 2018 are almost certain to exceed the previous peak in 2014. Settlements and arbitration awards naturally lag filings. 5 cases were settled in 2014, 198 cases were settled in 2015, 488 cases were settled in 2016 and 527 cases were settled in 2017. With at least 1,357 cases still pending as of September 7, 2018 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.

1,531 cases have been settled for a total of \$390.8 million. 46 cases had gone to final arbitration hearings resulting in 38 customer awards totaling \$79.1 million as of September 7, 2018.

Filings

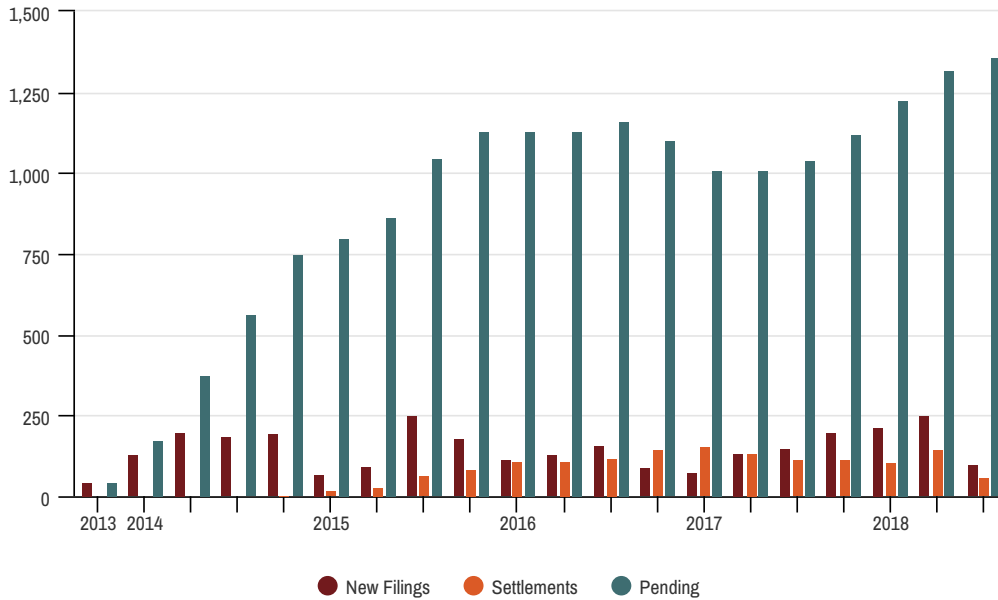
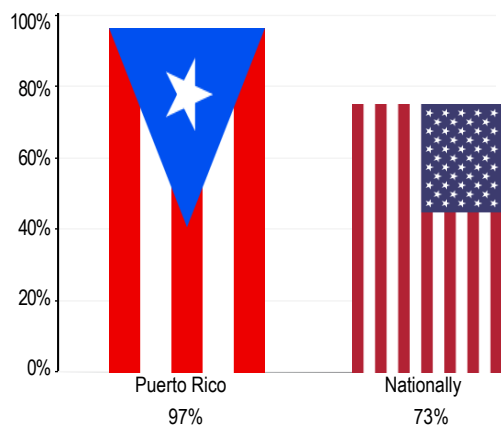


Figure 2: Filings Continue to Accumulate, Pending Claims Increased

a) Cases Settled vs Arbitrated



b) Arbitrated Cases Won by Customer

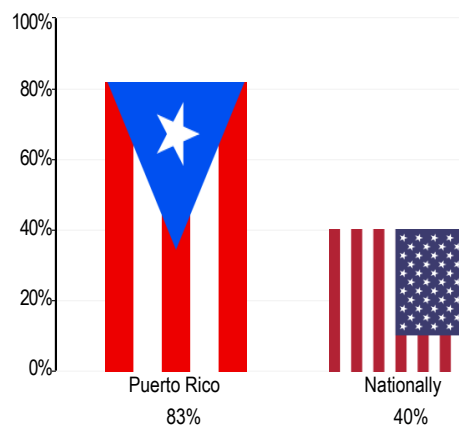


Figure 3: Cases Settled vs Arbitrated in Puerto Rico and Nationally; Arbitrated Cases Won by Customers in Puerto Rico and Nationally

The 1,531 settled cases through September 7, 2018 are 97.1% 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 38-8, customers have so far won 82.6% 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.

2,087 of the arbitration cases – 70.0% of the total reported by September 7, 2018 – have been filed against UBS Financial Services Inc. of Puerto Rico (“UBS PR”). UBS PR has settled or arbitrated 1,300 of its cases and 31 have been withdrawn so 756 remained reported as pending on September 7, 2018. See Table 2 and Figure 4.

In addition, 470 of the arbitration cases – 15.8% of the total reported by September 7, 2018 – have been filed against Santander Securities LLC (“Santander”)

Santander had settled or arbitrated 135 cases and 3 have been withdrawn so 332 remained reported as pending on September 7, 2018.

200 of the arbitration cases – 6.7% of the total reported by September 7, 2018 – have been filed against Popular Securities LLC (“Popular”). Popular had settled or arbitrated 57 cases and 10 were withdrawn so 133 remained reported as pending on September 7, 2018.

93 of the arbitration cases – 3.1% of the total reported by September 7, 2018 – have been filed against Merrill Lynch. Merrill Lynch had settled or arbitrated 49 cases and 3 were withdrawn so 41 remained reported as pending on September 7, 2018.

133 of the arbitration cases – 4.5% of the total reported by September 7, 2018 – have been filed against Oriental Financial Services Corp. (“Oriental”). Oriental had settled or arbitrated 36 cases and 2 has been withdrawn so 95 remained reported as pending on September 7, 2018.

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	132	176	118	155	6	8	1	2	5	8	2	3
	Q2	200	376	168	323	13	21	11	13	4	12	4	7
	Q3	185	560	133	455	24	45	12	25	110	22	6	13
	Q4	194	750	163	616	11	54	11	36	5	27	4	17
Subtotal		711		582		54		35		24		16	
2015	Q1	72	801	55	654	7	59	7	43	2	29	1	16
	Q2	97	866	84	712	4	59	1	44	3	31	5	20
	Q3	250	1,046	217	873	15	70	7	46	8	36	3	21
	Q4	182	1,135	146	948	16	77	10	51	6	34	4	25
Subtotal		601		502		42		25		19		13	
2016	Q1	115	1,132	84	938	16	79	8	56	2	31	5	28
	Q2	129	1,135	92	920	23	97	7	59	7	33	0	26
	Q3	159	1,163	105	919	31	117	10	61	6	37	7	29
	Q4	90	1,100	60	843	16	127	5	61	2	35	7	34
Subtotal		493		341		86		30		17		19	
2017	Q1	77	1,012	56	762	13	127	2	56	2	32	4	35
	Q2	138	1,011	82	732	33	146	13	62	6	37	4	34
	Q3	150	1,042	78	708	35	175	18	78	7	40	12	41
	Q4	201	1,025	109	709	42	211	24	99	6	45	20	61
Subtotal		566		325		123		57		21		40	
2018	Q1	215	1,226	111	739	67	265	15	105	2	39	20	78
	Q2	250	1,317	130	744	73	320	27	126	4	39	16	88
	Q3	103	1,357	59	756	23	332	10	133	3	41	8	95
Subtotal		568		300		163		52		9		44	
To Date		2,983	1,357	2,087	756	470	332	200	133	93	41	133	95

Filings

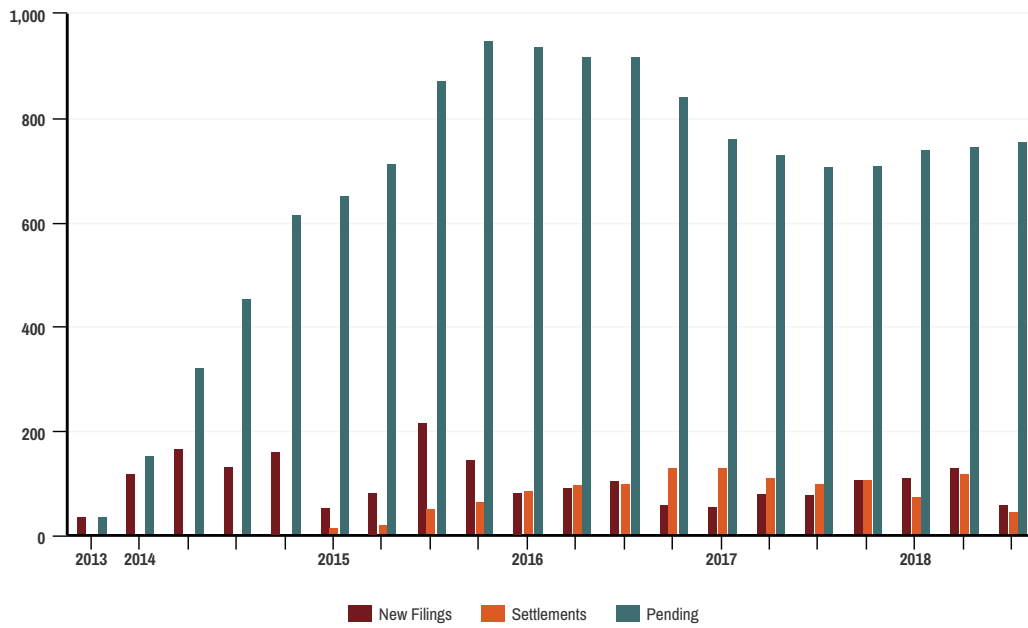


Figure 4: Vast Majority of Filings Against UBS

Pending Cases

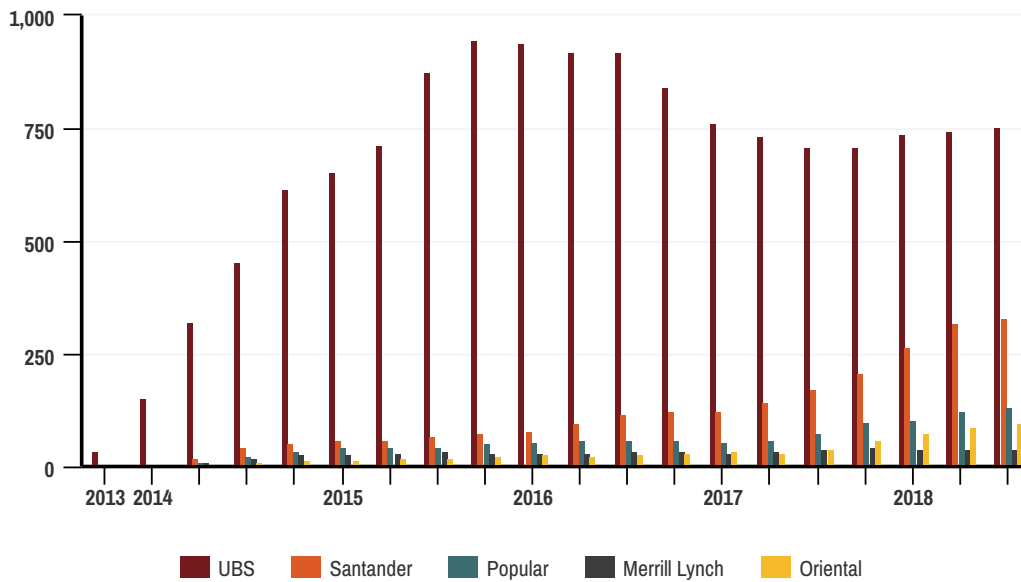


Figure 5: More than 700 Pending Cases Remain Against UBS

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 4,133 arbitrations filed after September 30, 2013 on 330 individual brokers' BrokerCheck reports. After eliminating duplicates, 2,983 unique arbitrations were reported on at least one broker's BrokerCheck report as having been filed against the five Puerto Rico brokerage firms between October 1, 2013 and September 7, 2018.

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 34 cases filed since October 1, 2013 even though at least 2,087 arbitrations have been filed against UBS PR since that date. These 34 cases are only the cases which have gone to a final hearing and which UBS PR reported having lost by September 7, 2018. FINRA does not report the remaining 2,053 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 0.13% (2 of 1,531) of the settlements identified in Table 1, and only 0.012% (\$47,178) of the \$390.8 million in settlements.

Despite not being named in the arbitrations and not contributing to the settlements, the 1,531 settled cases filed since October 1, 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 1,357 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 2,983 arbitrations filed against UBS PR, Santander, Popular, Oriental and Merrill Lynch in Puerto Rico but only 38 show up on these five firms' BrokerCheck reports despite the lawsuits being virtually all filed only against the brokerage firms; all but the 8 cases in which 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. 191 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 3,108. Removing duplicates, we find that there are 2,087 customer-related arbitrations reported on individual brokers’ BrokerCheck reports as filed against UBS PR between October 1, 2013 and September 7, 2018.

UBS PR has paid at least \$329.5 million settling 1,262 filings as of September 7, 2018. 38 have gone to a final hearing and at least 756 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	163	2				616	\$132,000	
	Subtotal	582	3					\$297,050	
2015	Q1	55	17				654	\$8,738,500	
	Q2	84	23	2		1	712	\$7,406,782	\$1,200,000
	Q3	217	51	4	1		873	\$9,991,025	\$6,611,486
	Q4	146	64	3		4	948	\$16,172,239	\$2,304,099
	Subtotal	502	155	9	1	5		\$42,308,546	\$10,115,585
2016	Q1	84	87	4	1	2	938	\$19,516,215	\$3,132,588
	Q2	92	97	1	1	11	920	\$16,268,703	\$395,197
	Q3	105	99	2		5	919	\$18,549,635	\$1,250,000
	Q4	60	131	4		1	843	\$24,671,179	\$20,570,976
	Subtotal	341	414	11	2	19		\$79,005,732	\$25,348,761
2017	Q1	56	131	5		1	762	\$43,795,586	\$32,980,296
	Q2	82	110	2			732	\$31,909,055	\$866,678
	Q3	78	101			1	708	\$35,979,000	
	Q4	109	108				709	\$25,286,433	
	Subtotal	325	450	7		2		\$136,970,073	\$33,846,974
2018	Q1	111	76	4		1	739	\$24,771,777	\$2,924,970
	Q2	130	119	1	1	4	744	\$30,262,622	\$4,895,947
	Q3	59	45	2			756	\$15,844,187	\$550,000
	Subtotal	300	240	7	1	5		\$70,878,586	\$8,370,917
	To Date	2,087	1,262	34	4	31	756	\$329,459,988	\$77,682,237

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 head-quartered 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. 57 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 669. Eliminating duplicates, we find that there are 470 customer-related arbitrations reported on individual brokers' BrokerCheck reports as filed against Santander Securities LLC between October 1, 2013 and September 7, 2018.

Santander has paid \$44.3 million settling 133 of them as of September 7, 2018. 2 have gone to a final hearing and 332 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	31	11				117	\$1,421,500	
	Q4	16	6				127	\$1,725,000	
Subtotal		86	34		1	1		\$6,037,750	
2017	Q1	13	13				127	\$5,039,000	
	Q2	33	13			1	146	\$3,392,063	
	Q3	35	6				175	\$7,166,000	
	Q4	42	6				211	\$760,000	
Subtotal		123	38			1		\$16,357,063	
2018	Q1	67	13				265	\$7,081,000	
	Q2	73	17			1	320	\$8,230,000	
	Q3	23	11				332	\$3,609,999	
Subtotal		163	41			1		\$18,920,999	
To Date		470	133	1	1	3	332	\$44,330,915	\$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. 58 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 325. Eliminating duplicates, we find that there are 200 customer-related arbitrations reported on individual brokers' BrokerCheck reports as filed against Popular between October 1, 2013 and September 7, 2018.

Popular has paid \$6.9 million settling 55 of the customer complaints as of September 7, 2018. 2 has gone to a final hearing and 133 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	11						36	\$57,118	
Subtotal		35						\$98,170		
2015	Q1	7						43		
	Q2	1						44		
	Q3	7	5					46	\$239,450	
	Q4	10	4			1		51	\$302,500	
Subtotal		25	9			1		\$541,950		
2016	Q1	8	2			1		56	\$62,500	
	Q2	7	4					59	\$374,000	
	Q3	10	7	1				61	\$498,000	
	Q4	5	3			2		61	\$205,000	
Subtotal		30	16	1		3		\$1,139,500	\$354,856	
2017	Q1	2	7					56	\$479,481	
	Q2	13	7					62	\$668,000	
	Q3	18	1			1		78	\$215,000	
	Q4	24	3					99	\$172,500	
Subtotal		57	18			1		\$1,534,981		
2018	Q1	15	7	1		1		105	\$2,080,000	
	Q2	27	3			3		126	\$1,005,000	
	Q3	10	2			1		133	\$515,000	
Subtotal		52	12	1		5		\$3,600,000	\$250,000	
To Date		200	55	2		10		133	\$6,914,601	\$604,856

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 invest-

ment 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. 32 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 118. Eliminating duplicates, we find that there are 93 customer-related arbitrations reported on individual brokers’ BrokerCheck reports as against Merrill Lynch filed between October 1, 2013 and September 7, 2018.

Merrill Lynch has paid \$7.5 million settling 48 of them as of September 7, 2018. One has gone to a final hearing, 3 were withdrawn and 41 were still pending as of September 7, 2018.

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	5					8	\$232,232	
	Q2	4					12		
	Q3	10					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	6	1				37	\$40,000	
	Q3	7	4				40	\$180,000	
	Q4	6	1				45	\$75,000	
Subtotal		21	11					\$1,197,500	
2018	Q1	2	6		1	1	39	\$875,000	
	Q2	4	4				39	\$335,000	
	Q3	3	1				41	\$640,000	
Subtotal		9	11		1	1		\$1,850,000	
To Date		93	48	0	1	3	41	\$7,524,279	

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. 30 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 174. Eliminating duplicates, we find that there are 133 customer-related arbitrations reported on individual brokers' BrokerCheck reports as against Oriental filed between October 1, 2013 and September 7, 2018.

Oriental has paid \$2.6 million settling 33 of the customer complaints as of September 7, 2018. Three have gone to a final hearing and 95 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	1	1	1			16	\$63,000	
	Q2	5	1				20		
	Q3	3	2				21	\$57,500	
	Q4	4					25	\$10,534	
Subtotal		13	4	1				\$131,034	
2016	Q1	5	2				28	\$155,500	
	Q2	0	2				26	\$247,500	
	Q3	7	4				29	\$108,000	
	Q4	7	2				34	\$60,000	
Subtotal		19	10					\$571,000	
2017	Q1	4	1	1		1	35	\$35,000	\$808,000
	Q2	4	4		1		34	\$555,000	
	Q3	12	5				41	\$467,500	
	Q4	20					61		
Subtotal		40	10	1	1	1		\$1,057,500	\$808,000
2018	Q1	20	3				78	\$157,000	
	Q2	16	5			1	88	\$531,500	
	Q3	8	1				95	\$120,000	
Subtotal		44	9			1		\$808,500	
To Date		133	33	1	2	2	95	\$2,568,034	\$808,000

Table 7: Securities Arbitrations filed against Oriental Financial Services

Endnotes

1. © Securities Litigation and Consulting Group, Inc, 2018. 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 September 7, 2018.
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.