

Puerto Rico Securities Arbitration Report: 1,874 Arbitration Filings, \$226 million in Settlements and Awards so far

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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 leaving the brokerage firms’ public disclosures largely unscathed.



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

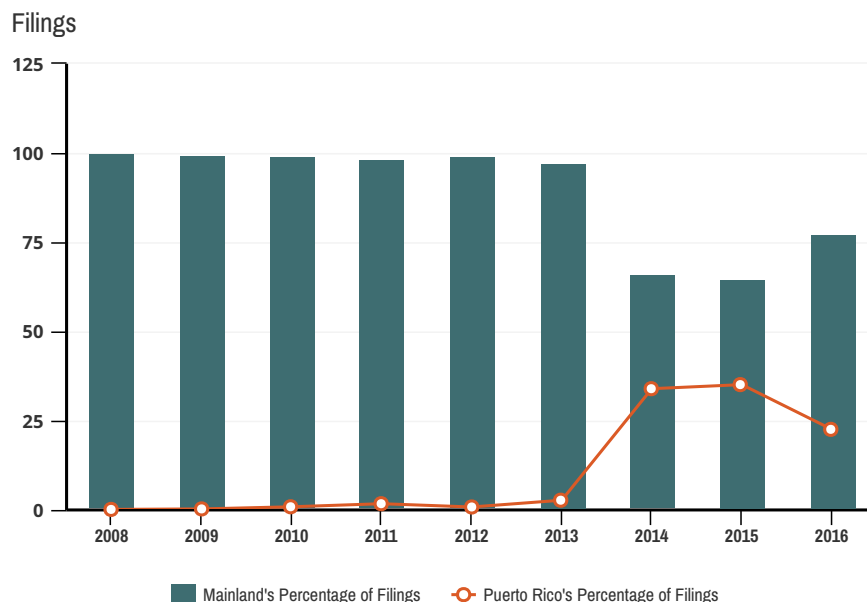


Table 1: Securities Arbitrations against UBS, Santander, Popular, Oriental, and Merrill Lynch in Puerto Rico

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		Filed	Settled	Arbitrated		Withdrawn	Pending	Settlements	Awards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	201					376		
	Q3	187	1				562	\$206,102	
	Q4	194	4				752	\$400,118	
	subtotal	713	5					\$838,451	
2015	Q1	73	19	1	1		804	\$8,921,500	\$17,500
	Q2	96	29	2		1	868	\$8,733,886	\$1,200,000.01
	Q3	251	65	4	1		1,049	\$12,632,975	\$6,611,486.4
	Q4	184	84	3		3	1,143	\$17,373,770	\$2,304,098.81
	subtotal	604	197	10	2	4		\$47,662,131	\$10,133,085.22
2016	Q1	113	109	3	1	3	1,140	\$22,390,465	\$3,132,588.4
	Q2	128	110	1	2	7	1,148	\$17,556,703	\$395,197.28
	Q3	160	121	3		2	1,182	\$19,857,135	\$1,604,855.89
	Q4	89	143	4		1	1,123	\$27,168,164	\$20,570,975.6
	subtotal	490	483	11	3	13		\$86,972,467	\$25,703,617.17
2017	Q1	23	57	4		2	1,083	\$27,011,525	\$28,369,645.78
	subtotal	23	57	4		2		\$27,011,525	\$28,369,645.78
To Date		1,874	742	25	5	19	1,083	\$162,484,574	\$64,206,348

Arbitration Statistics

At least 1,851 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 23 more arbitration complaints were filed in 2017. See Table 1 and Figure 2.³

The number of new arbitration filings peaked in 2014 at 713 but at least 490 new arbitrations were filed in 2016. Settlements and arbitration awards naturally lag filings. 5 cases were settled in 2014, 197 cases were settled in 2015 and 483 cases were settled in 2016.

With at least 1,083 cases still pending as of February 17, 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

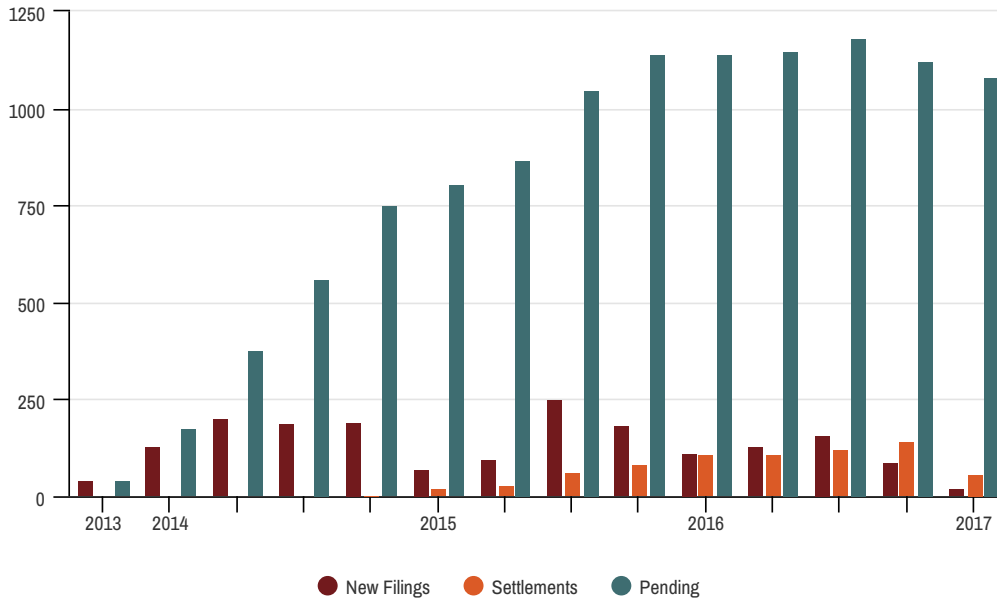
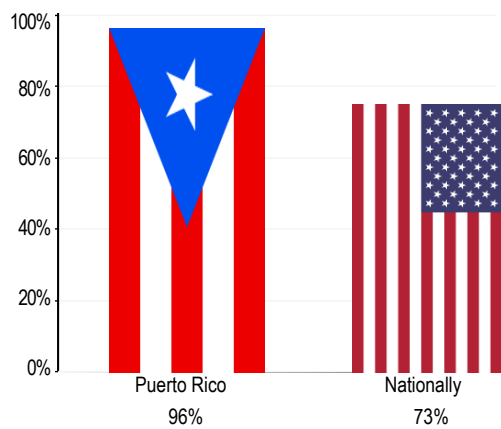


Figure 2: Filings Continue to Accumulate, Pending Complaints Level Off

a) Cases Settled vs Arbitrated



b) Arbitrated Cases Won by Customer

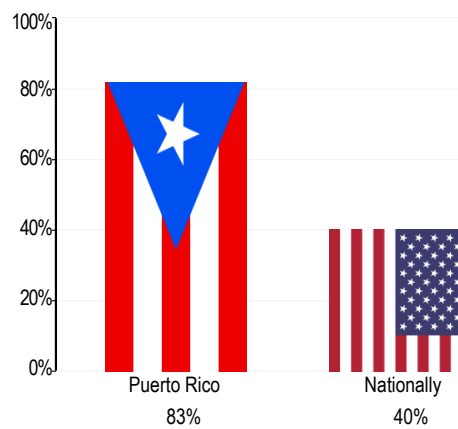


Figure 3: Cases Settled vs Arbitrated in Puerto Rico vs Nationally; Arbitrated Cases Won by Customer in Puerto Rico vs Nationally

Of these cases, 742 have been settled for a total of \$162.5 million. 1,083 cases are still pending. 30 cases had gone to final arbitration hearings resulting in 25 customer awards totaling \$64.2 million as of February 17, 2017.

The 742 settled cases through February 17, 2017 are 96.1% 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 25-5, customers have so far won 83.3% 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).

Investors have obtained settlements or awards in 99.4% of cases filed excluding a small number which were withdrawn.

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.

1,476 of the arbitration cases – 78.8% of the total reported by February 17, 2017 – have been filed against UBS Financial Services Inc. of Puerto Rico (“UBS PR”). UBS PR has settled or arbitrated 637 of its cases and 12 have been withdrawn so 827 remained reported as pending on February 17, 2017. See Table 2 and Figure 4.

In addition, 189 of the arbitration cases – 10.1% of the total reported by February 17, 2017 – have been filed against Santander Securities LLC (“Santander”). Santander had settled or arbitrated

60 cases and 1 has been withdrawn so 128 remained reported as pending on February 17, 2017.

93 of the arbitration cases – 5.0% of the total reported by February 17, 2017 – have been filed against Popular Securities LLC (“Popular”). Popular had settled or arbitrated 31 cases and 3 were withdrawn so 59 remained reported as pending on February 17, 2017.

64 of the arbitration cases – 3.4% of the total reported by February 17, 2017 – have been filed against Merrill Lynch.

Merrill Lynch had settled or arbitrated 28 cases and 2 were withdrawn so 34 remained reported as pending on February 17, 2017.

52 of the arbitration cases – 2.8% of the total reported by February 17, 2017 – have been filed against Oriental Financial Services Corp. (“Oriental”). Oriental had settled or arbitrated 16 cases and 1 has been withdrawn so 35 remained reported as pending on February 17, 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	201	376	169	324	13	21	11	13	4	11	4	7
	Q3	187	562	134	457	24	45	12	25	11	22	6	13
	Q4	194	752	162	617	11	54	12	37	5	27	4	17
subtotal		713		583		54		36		24		16	
2015	Q1	73	804	55	655	7	59	7	44	2	29	2	17
	Q2	96	868	83	712	4	59	1	45	3	31	5	21
	Q3	251	1,049	219	875	15	70	6	46	8	36	3	22
	Q4	184	1,143	146	953	16	77	11	52	6	34	5	27
subtotal		604		503		42		25		19		15	
2016	Q1	113	1,140	83	944	16	79	8	57	2	31	4	29
	Q2	128	1,148	91	931	23	97	7	60	7	33	0	27
	Q3	160	1,182	105	935	33	119	9	61	6	37	7	30
	Q4	89	1,123	60	863	16	129	4	61	2	35	7	35
subtotal		490		339		88		28		17		18	
2017	Q1	23	1,083	14	827	3	128	3	59	1	34	2	35
subtotal		23		14		3		3		1		2	
To Date		1,874	1,083	1,476	827	189	128	93	59	64	34	52	35

Filings

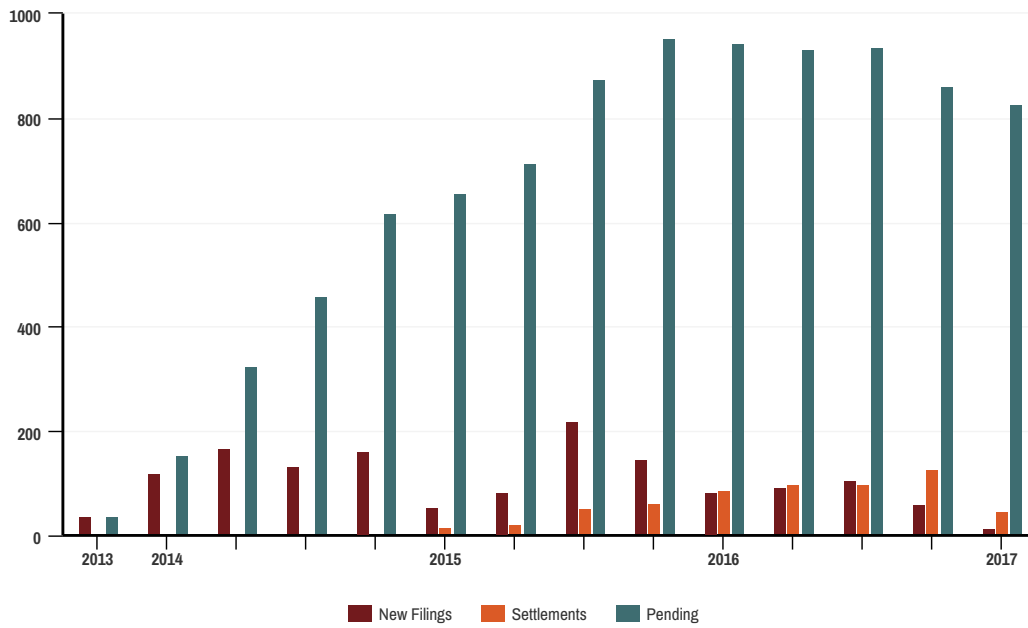


Figure 4: Vast Majority of Filings Against UBS of Puerto Rico

Pending Cases

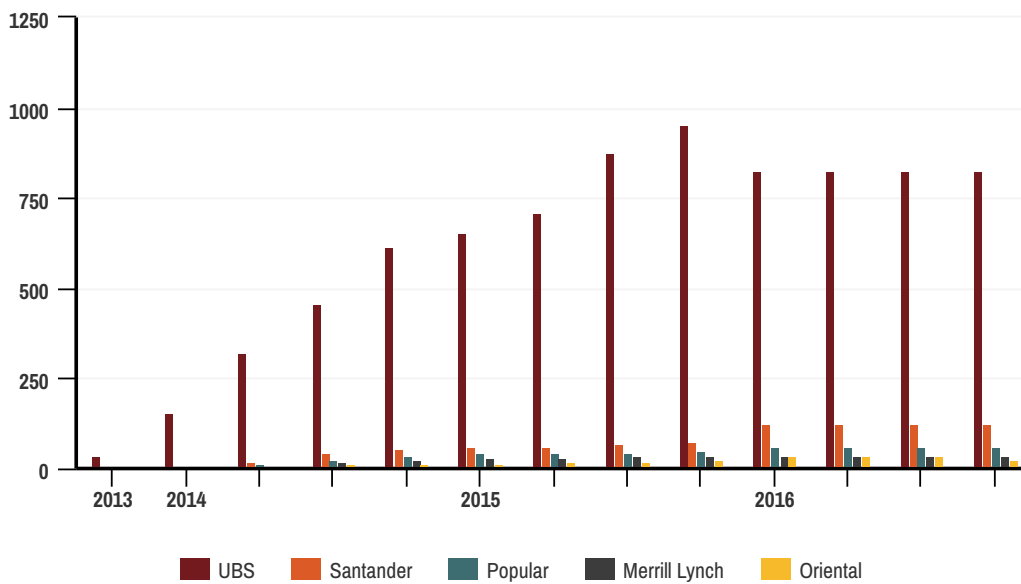


Figure 5: Nearly 1,000 Pending Cases Remain Against UBS of Puerto Rico

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 2,701 arbitrations filed after September 30, 2013 on 310 individual brokers' BrokerCheck reports. After eliminating duplicates, 1,851 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 23 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 21 cases filed since September 30, 2013 even though at least 1,476 arbitrations have been filed against UBS PR since that date. These 21 cases are only the cases which have gone to a final hearing and which UBS PR reported having lost by February 17, 2017. FINRA does not report the remaining 1,455 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 0.4% (3 of 742) of the settlements identified in Table 1, and only 0.06% (\$97,178) of the \$162.5 million in settlements.

Despite not being named in the arbitrations and not contributing to the settlements, the 742 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 1,083 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 1,874 arbitrations filed against UBS PR, Santander, Popular, Oriental and Merrill Lynch in Puerto Rico but only 24 show up on these five firms' BrokerCheck reports despite the lawsuits being virtually all filed only against the brokerage firms; all but 5 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 2,164. Removing duplicates, we find that there are 1,476 customer-related arbitrations reported on individual brokers’ BrokerCheck reports as filed against UBS PR between September 30, 2013 and February 17, 2017.

UBS PR has paid at least \$142.6 million settling 612 filings as of February 17, 2017. 25 have gone to a final hearing and at least 827 are still pending with many more being filed each quarter. See Table 3.

Table 3: Securities Arbitrations filed against UBS

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	169					324		
	Q3	134	1				457	\$165,049.64	
	Q4	162	2				617	\$132,000.00	
	subtotal	583	3					\$297,049.64	
2015	Q1	55	17				655	\$8,738,500.00	
	Q2	83	23	2		1	712	\$7,406,782.43	\$1,200,000.01
	Q3	219	51	4	1		875	\$9,991,025.00	\$6,611,486.40
	Q4	146	63	3		2	953	\$14,922,239.03	\$2,304,098.81
	subtotal	503	154	9	1	3		\$41,058,546.46	\$10,115,585.22
2016	Q1	83	87	3	1	1	944	\$19,516,214.54	\$3,132,588.40
	Q2	91	97	1	1	5	931	\$16,268,702.96	\$395,197.28
	Q3	105	97	2		2	935	\$17,734,635.00	\$1,250,000.00
	Q4	60	128	4			863	\$24,586,614.48	\$20,570,975.60
	subtotal	339	409	10	2	8		\$78,106,166.98	\$25,348,761.28
2017	Q1	14	46	3		1	827	\$23,099,044.25	\$27,561,645.78
	subtotal	14	46	3		1		\$23,099,044.25	\$27,561,645.78
To Date		1,476	612	22	3	12	827	\$142,560,807.33	\$63,025,992.28

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. 50 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 267. Eliminating duplicates, we find that there are 189 customer-related arbitrations reported on individual brokers' BrokerCheck reports as filed against Santander Securities LLC between September 30, 2013 and February 17, 2017.

Santander has paid \$12.5 million settling 58 of them as of February 17, 2017. 2 have gone to a final hearing and 128 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	\$211,000.00	
subtotal		54	2					\$211,000.00	
2015	Q1	7	1	1			59	\$120,000.00	\$17,500.00
	Q2	4	4				59	\$1,029,103.17	
	Q3	15	4				70	\$465,000.00	
	Q4	16	9				77	\$1,190,000.00	
subtotal		42	18	1				\$2,804,103.17	\$17,500.00
2016	Q1	16	14				79	\$2,483,750.00	
	Q2	23	3		1	1	97	\$407,500.00	
	Q3	33	11				119	\$1,421,500.00	
	Q4	16	6				129	\$1,725,000.00	
subtotal		88	34		1	1		\$6,037,750.00	
2017	Q1	3	4				128	\$3,483,000.00	
subtotal		3	4					\$3,483,000.00	
To Date		189	58	1	1	1	128	\$12,535,853.17	\$17,500.00

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 151. Eliminating duplicates, we find that there are 93 customer-related arbitrations reported on individual brokers' BrokerCheck reports as filed against Popular between September 30, 2013 and February 17, 2017.

Popular has paid \$2.2 million settling 30 of the customer complaints as of February 17, 2017. 1 has gone to a final hearing and 59 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	\$41,052.00	
	Q4	12					37	\$57,117.56	
subtotal		36						\$98,169.56	
2015	Q1	7					44		
	Q2	1					45		
	Q3	6	5				46	\$239,450.00	
	Q4	11	4			1	52	\$302,500.00	
subtotal		25	9			1		\$541,950.00	
2016	Q1	8	2			1	57	\$62,500.00	
	Q2	7	4				60	\$374,000.00	
	Q3	9	7	1			61	\$498,000.00	\$354,855.89
	Q4	4	3			1	61	\$205,000.00	
subtotal		28	16	1		2		\$1,139,500.00	\$354,855.89
2017	Q1	3	5				59	\$429,481.00	
subtotal		3	5					\$429,481.00	
To Date		93	30	1		3	59	\$2,209,100.56	\$354,855.89

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 79. Eliminating duplicates, we find that there are 64 customer-related arbitrations reported on individual brokers’ BrokerCheck reports as against Merrill Lynch filed between September 30, 2013 and February 17, 2017.

Merrill Lynch has paid \$4.5 million settling 28 of them as of February 17, 2017. None has gone to a final hearing, 2 were withdrawn and 34 were still pending as of February 17, 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	\$232,232.00	
	Q2	4					11		
	Q3	11					22		
	Q4	5					27		
	subtotal	24						\$232,232.00	
2015	Q1	2					29		
	Q2	3	1				31	\$298,000.00	
	Q3	8	3				36	\$1,880,000.00	
	Q4	6	8				34	\$948,497.00	
	subtotal	19	12					\$3,126,497.00	
2016	Q1	2	4			1	31	\$172,500.00	
	Q2	7	4			1	33	\$259,000.00	
	Q3	6	2				37	\$95,000.00	
	Q4	2	4				35	\$591,550.00	
	subtotal	17	14			2		\$1,118,050.00	
2017	Q1	1	2				34		
	subtotal	1	2						
To Date		64	28			2	34	\$4,476,779.00	

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 64. Eliminating duplicates, we find that there are 52 customer-related arbitrations reported on individual brokers' BrokerCheck reports as against Oriental filed between September 30, 2013 and February 17, 2017.

Oriental has paid \$0.7 million settling 14 of the customer complaints as of February 17, 2017. Two have gone to a final hearing and 35 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	\$63,000.00	
	Q2	5	1				21		
	Q3	3	2				22	\$57,500.00	
	Q4	5					27	\$10,534.00	
subtotal		15	4		1			\$131,034.00	
2016	Q1	4	2				29	\$155,500.00	
	Q2	0	2				27	\$247,500.00	
	Q3	7	4				30	\$108,000.00	
	Q4	7	2				35	\$60,000.00	
subtotal		18	10					\$571,000.00	
2017	Q1	2		1		1	35		\$808,000.00
subtotal		2		1		1			\$808,000.00
To Date		52	14	1	1	1	35	\$702,034.00	\$808,000.00

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 February 17, 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.