

Arbitrators Hit Morgan Stanley with \$3 Million Sanction for Flouting Rules

by [Jed Horowitz](#) July 18, 2019



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Arbitrators this week ordered Morgan Stanley to pay a couple in Puerto Rico \$3 million for refusing to submit documents to their lawyers about a former broker who has been the subject of 23 customer complaints since 2014.

The penalty supplements \$261,421 in compensatory damages that the three-person panel in Miami awarded the couple over their claim of sales abuses related to Puerto Rico bonds, closed-end bond funds and use of a securities-backed loan to buy the bonds, according to the award document Finra released on Tuesday.

“We strongly disagree with the panel’s award of monetary sanctions in this case, which we believe are unwarranted and excessive,” a Morgan Stanley spokeswoman wrote in an e-mail. She declined to say if the broker-dealer will ask a court to vacate the award.

The decision has drawn wide attention among plaintiffs’ lawyers because of the stark language the three public arbitrators used in explaining their

monetary sanction against the wirehouse for flouting document discovery orders.

“The scope of the sanction is pretty meaningful,” said Christine Lazaro, president of the Public Investors Bar Association. “We’ve certainly made it known to our members.”

Morgan Stanley did not provide the couple’s lawyers even “the courtesy of an email” about its noncompliance with the two separate discovery orders, and sought to limit release of some documents to the arbitrators rather than to the lawyers, the document said.

“The panel took note of the extreme prejudice respondent’s failure of compliance caused claimants’ counsel in preparing their case and asserting their claims without the withheld documents, which the panel deemed were highly relevant to the dispute in question, the central figure of which was the terminated employee whose related documents were being withheld,” the document said.

It did not name the broker, but Miami lawyer Jeffreery Erez, co-counsel for the claimants, identified him as Angel Aquino-Velez, who worked at Morgan Stanley from early 2010 until mid-2017, according to his BrokerCheck history. Aquino, who has no record of having been fired by Morgan Stanley or other firms, had also worked at UBS, Doral Securities, Santander Securities and Chubb Securities over his 20-year career, according to BrokerCheck.

Aquino, who was based in Miami, represented a substantial number of Morgan Stanley’s Puerto Rican clients, said Erez, noting that the firm did not have an office in the U.S. territory.

“The award is definitely a large number that’s sending a message,” said Erez, who also represented a couple who won a [\\$7.8 million arbitration award in May](#) from UBS Financial Services related to Puerto Rico bond claims. “Don’t disregard clear discovery orders, and don’t conceal documents because you don’t like what’s in them.”

The UBS award included \$3000,000 of attorney’s fees.

The arbitrators in this week’s award to Isabel Litovich-Quintana and Jose Torres denied their claims for attorneys’ fees and for punitive damages of \$10.96 million. But the combined award and sanction of \$3.26 million

equaled the compensatory damages and attorney's fees that the couple sought at the close of the hearing, according to the document.

PIABA's Lazaro, who runs St. John's University securities arbitration clinic in New York, applauded the courage of arbitrators Jill Pilgrim, Constance Barr and Irlanda Ruiz in sanctioning a major firm.

"One of our longer-term concerns with the arbitration process is that arbitrators are disincentivized for fear of not being picked again in the future," she said.

COMMENTS (2)

on Jul 18 2019, [Nomad in PA](#) says:

Looks kinda like this financial adviser was a bit of a scumbag, but Morgan Stanley's legal arrogance was slapped down hard here. Can't say I feel sorry for em.

[Reply to Nomad in PA](#)

on May 9 2020, [David Fleming](#) says:

where can I get an arbitration to represent my brother? We are in Arlington, the broker is in Potomac. The amount lost is only \$50K but my brother is indigent and this is a special needs trust. I am the trustee.

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