

UBS	USD 11,210,178.36 US Dollar
USD 11,210,178.36 US Dollar	EUR 10,101,379.62 Euro
BL0201 - Equities	EL0301 - Employee Relations
US - United States	North America
Loss Event	Published in media 12 December 2019

UBS ordered to pay USD 11.2 million by FINRA arbitrators over employee defamation claim

On 12 December 2019, Investment News reported that a Financial Industry Regulatory Authority (FINRA) arbitration panel had ordered UBS Financial Services to pay USD 11.2 million (EUR 10.1 million) in damages, fees and costs following a defamation claim first filed on 12 June 2018 by former employee Mark Munizzi.

Investment News reports that, in April 2018, Munizzi was fired from his position as a market operations supervisor in UBS' Chicago office. This was after two accounts he was overseeing lost value during a steep market drop in February 2018. UBS claimed that it fired Munizzi because he had failed to take heed of notifications about margin calls on these two accounts and had lied during an internal review of the incident. Furthermore, UBS claimed that Munizzi had failed to properly supervise the risks of an uncovered options strategy, and given "varied responses" in reviews of employees' behaviour, AdvisorHub reports.

Munizzi filed an arbitration claim on 12 June 2018. Legal proceedings, which involved 26 hearings, occurred between 11 June 2019 and 21 November 2019. During this arbitration, Munizzi alleged that UBS defamed him through the description provided in his Form U5 and that this defamation prevented him from finding a new job in the industry. Similarly, Munizzi alleged that he was owed severance from UBS, and that UBS had violated the Illinois wage Payment and Collection Act.

Munizzi also claimed that he was not notified by the UBS Central Supervision or the process centre operation manager about the margin calls on the two accounts in question, AdvisorHub reports. He claimed that as soon as he did become aware of the issues, on 5 February 2018, he notified managers and took immediate steps to cover the unsecured positions at the opening of the market on the next business day. He also stated that his responses in reviews were to the best of his ability, and never varied, AdvisorHub reports.

The FINRA arbitrators found UBS liable. Consequently, the panel ordered UBS to pay a total of USD 11,210,178.36 comprising:

USD 3,149,656 to Munizzi in compensatory damages;

USD 7,500,000 to Munizzi in punitive damages;

USD 496,753.36 to Munizzi in attorneys' fees;

USD 375 to Munizzi as reimbursement for a filing fee;
USD 24,381.50 to Munizzi in costs;
a USD 1,900 member surcharge;
a USD 3,750 member process fee;
USD 1,125 in postponement feeds;
USD 1,800 in last-minute cancellation fees;
USD 400 in discovery-related motion fees; and
USD 30,037.50 in hearing session fees.

FINRA also required UBS to pay interest on USD 112,500 of the compensatory damages at the rate of 5 per cent per annum from 11 December 2019 to the date on which that portion is paid in full, to constitute severance pay for Munizzi.

Additionally, the panel recommended amendments to Munizzi's Form U5. This included changing the explanation for Munizzi's termination to 'terminated without cause'.

As of 12 December 2019, UBS denied all allegations.

Author: Alice Roberts

Published Date: 13 December 2019

Last Update: 17 December 2019

Published In Media	Occurrence - From	Occurrence - To	Discovery Date	Recognition / Settlement
12 December 2019	01 February 2018	30 April 2018	12 June 2018	11 December 2019

Boundary Risk Other Risk	Industry Event	Scenario SC0035 - Unfair Treatment of Staff
Product PD0302 - Equities	Process PC0901 - HR Management	Event Closed No
ORX Member Yes	Role of Firm LS0303 - Employer	Jurisdiction / Choice of Law LS0101 - United States of America
Cause 1 CS0204 - Management / Control of Staff	Cause 2	Cause 3
Counterparty LS0211 - Regulator	Environmental Volatility LS0406 - Not Identifiable	Provision No

Source(s)

<https://www.investmentnews.com/article/20191212/FREE/191219965/finra-arbitrators-order-ubs-to-pay-m>
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