

Congress of the United States
House of Representatives
Washington, DC 20515

NYDIA M. VELAZQUEZ
7TH DISTRICT, NEW YORK

CONGRESSIONAL HISPANIC CAUCUS
CONGRESSIONAL CAUCUS FOR
WOMEN'S ISSUES
CONGRESSIONAL
PROGRESSIVE CAUCUS
OLDER AMERICANS CAUCUS
CONGRESSIONAL
CHILDREN'S CAUCUS
CONGRESSIONAL ASIAN
PACIFIC AMERICAN CAUCUS

December 21, 2017

Jeb Hensarling
Chairman, House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Hensarling:

Earlier this year, the House Financial Services Committee came together to pass bipartisan legislation I authored, HR 1366, the *US Territories Investors Protection Act of 2017*. If enacted, this legislation would provide fundamental protections for the mutual fund investors living in Puerto Rico and the other US territories. Again, I want to thank you for your leadership on this issue and for helping to ensure the legislation's passage through the U.S. House of Representatives.

As a senior member of the House Financial Services Committee, I urge you to continue our Committee's important work of protecting Puerto Rican investors and ask that you convene a hearing into the marketing and sales practices of investment companies operating in Puerto Rico. Such oversight is critically necessary.

Earlier this week, CNBC published a highly disturbing report entitled: *Broken bonds: The Role Wall Street Played in Wiping out Puerto Ricans' Savings*¹, which alleges that UBS executives both in Puerto Rico and here on the mainland purposely withheld and disguised the true risk of Puerto Rican government bonds that UBS packaged into mutual funds and sold to residents on the island. According to CNBC's reporting, top executives at UBS also sought to withhold stress-test results from its own brokers and did not translate research reports and other critical fund documents into Spanish. Moreover, CNBC's report alleges that even though some of UBS' most important brokers expressed multiple concerns about the bond funds from the initial stages, UBS management encouraged Puerto Rican brokers to sell the funds to unsuspecting investors anyway.

The reported claims of deception, mismanagement, and coercion highlighted in the CNBC article, if true, are egregious, unethical, and potentially illegal. The alleged claims are indeed so disturbing that the U.S. Department of Justice is conducting a criminal investigation into the matter, according to the report.

¹ Giel, Dawn; Picker, Leslie; Zamost. *Broken Bonds: The Role Wall Street Played in Wiping out Puerto Ricans' Savings*. https://www.cnbc.com/amp/2017/12/18/broken-bonds-wall-streets-role-in-wiping-out-puerto-ricans-savings.html?_twitter_impression=true

It is my hope that our Committee can investigate the matter as well. Thousands of hardworking Puerto Ricans lost their life-savings after being told their money would be safe. All Americans deserve honesty, integrity, and trust when it comes to investing in our capital markets—they are the fundamental truths that our free-enterprise system is based upon. A culture of deception and deceit erodes that trust and could lead investors to lose faith in our institutions and markets.

Therefore, as Chairman of the House Financial Services Committee, with jurisdiction and oversight of our nation's capital markets, I urge you to commence with oversight hearings into this matter with due haste. The integrity and future of Puerto Rico's investment sector depends on it.

I look forward to working with you in a bipartisan and constructive manner on this issue.

Sincerely Yours,



Nydia M. Velázquez
Member of Congress

Cc:

Representative Maxine Waters, Ranking Member, House Financial Services Committee