Opinion **On Wall Street**

Former UBS analyst casts Wall Street research in harsh light

Ex-staffer awarded damages after claiming bank fired him for producing bearish reports

UBS argued that Trevor Murray could not bring a case for retaliation because he had not blown the whistle © Bloomberg

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It's around this time of year that inboxes fill up with reports from Wall Street analysts trying to demonstrate complete mastery of their sectors. This year in particular, as new rules take effect on how analysts are paid, they are extra keen to show that their work has real value.

But as investors scroll through these vast documents, they might want to ask themselves whether what they're reading is truly a labour of love from the research department — or simply a series of ads for more powerful parts of the bank.

Consider what happened to Trevor Murray, a senior strategist who spent less than a year covering the market for commercial mortgage-backed securities at UBS in New York.

He was sacked in 2012 for — he claimed — trying to raise the alarm about pressure from traders and bankers, urging him to put out more upbeat reports. He sued under anti-retaliation laws and won more than $900,000 in back pay and damages, plus interest, after a jury trial that ended two weeks ago. His claim he should receive at least $3m in damages was rejected.

Mr Murray was responsible for research and reports about CMBS products that were distributed to UBS clients. He arrived on May 31 2011, along with Kenneth Cohen, a former Lehman banker who had been hired to run the US real estate finance group.

Before long, Mr Murray's lawyers told a federal court in Manhattan, it was clear that his job was to help stir up business rather than provide honest opinions on the state of the market. He claimed that the trading desk demanded to see drafts of his reports before they were published, to make sure they did not clash with traders' own positions. Mr Cohen allegedly told him that he did not like his year-end outlook report because it was insufficiently bullish, or "off message".

Mr Murray, 46, said he complained to his supervisor, Mike Schumacher, head of rates and credit strategy, that he felt like a "shill" for the industry, but nothing happened. On January 24 2012, shortly after he'd been excluded from meeting clients at a big industry conference, Mr Murray produced a bearish piece of research on how a double-dip recession could hurt the sector.

The report appeared just as UBS was pitching for a big piece of hotels business in Miami Beach. On February 6 Mr Murray was fired. (UBS went on to win the mandate.)

Mr Schumacher, now at Wells Fargo in New York, declined to comment through a spokesperson. Mr Cohen, now at Bank of America, also declined to comment.

It was a clear breach of "Reg AC," said Robert Herbst, a trial lawyer for Mr Murray, citing a 2003 rule from the Securities and Exchange Commission that requires that research reports reflect an analyst's personal views. On top of that was a violation of Rule 10b-5, he said, which bans any act or omission resulting in fraud or deceit in connection with the purchase or sale of a security.

UBS saw things differently. Lawyers for the Swiss bank argued that Mr Murray's dismissal was linked to a series of setbacks for the bank from mid-2011, including a $2bn loss by a London rogue trader that triggered the resignation of the group CEO. In October 2012 UBS announced thousands of job cuts across its fixed-income business.

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The bank also argued that Mr Murray could not bring a case for retaliation because he never tried to blow the whistle. He did not contact HR or legal or an internal hotline, and had no emails or texts to support assertions that he tried to report illegal or unethical behaviour. In court, former colleagues testified they had no recollection of complaints from

be tolerated

Robert Stulberg of Broach & Stulberg

Mr Murray.

The jury sided with him anyway.

"The jurors soundly rejected the bank's baseless attacks on our client, and sent a powerful message that such corporate illegality will not be tolerated," said Robert Stulberg of Broach & Stulberg, which led the case from the outset with Amy Shulman, his partner.

UBS said it was disappointed by the verdict and was considering its options.

"We . . . believe that the record in this trial clearly shows that Mr Murray was not a whistleblower or retaliated against in any way," it said.

If the bank appeals it could mean Mr Murray will not receive his award for several more years, if at all.

The former Wall Street strategist, who earned a base salary of $250,000 and the same again in maximum bonus, said the sacking tipped him into a year-long depression. He is now working for $9 an hour at a grocery store in Charlotte.

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