



## NEWS RELEASE

**For Release:** Monday, October 5, 2009  
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### **FINRA to Expand Program Evaluating All-Public Arbitration Panels**

#### **More Firms, Additional Cases to Result in Nearly 50 Percent Increase in Eligible Claims**

**Washington, DC** — The Financial Industry Regulatory Authority (FINRA) announced today the expansion of its two-year pilot program that gives investors who are filing eligible claims the opportunity to select an arbitration panel composed of three public arbitrators instead of two public and one non-public.

In its second year, the pilot will expand from 11 to 14 broker-dealers, and the number of eligible cases will increase from 276 to 411, a rise of nearly 50 percent. Only the investor filing the claim can elect to participate in the program and the firms cannot choose which cases are eligible.

"With additional firms and more cases, the resulting information derived from the pilot will permit a more robust analysis of the process of using three public arbitrators," said Linda D. Fienberg, President, FINRA Dispute Resolution. "The expansion also recognizes that the total number of arbitration cases that have been filed in the forum has increased since we launched the pilot last fall."

Each participating firm has agreed to commit a specific number of cases to the pilot. Cases enter the pilot on a first-come, first-served basis at the sole discretion of the claimant, who is typically a retail brokerage customer. The program began on October 6, 2008, and will conclude on October 5, 2010.

The three new firms contributing cases to the pilot program are: Chase Investment Services, with 10 cases; Oppenheimer & Co, with 15 cases; and Raymond James Financial Services/Raymond James & Associates, with 10 cases. Of the 11 firms already participating, five are increasing the number of pilot cases from 40 to 60: Citigroup Global Markets, Merrill Lynch, Morgan Stanley Smith Barney, UBS Financial Services and Wells Fargo Advisors.

Other participating firms are Ameriprise Financial Services, with 18 cases; Charles Schwab, with 10 cases; Edward Jones, with 18 cases; Fidelity Brokerage Services, with 10 cases; LPL Financial, with 10 cases; and TD Ameritrade with 10 cases.

The pilot program will be evaluated by a number of criteria, including the percentage of investors who opt in and, of those, the percentage who actually select an all-public panel. Currently, about half of the investors in the pilot choose to have a non-public arbitrator on their hearing panel.

FINRA also will compare the results of pilot and non-pilot cases, including the percentage of cases that settle before award and how quickly they settle, the length of hearings and the use of expert witnesses. FINRA also is conducting participant surveys.

So far, investors have filed 474 eligible cases. With the initial year of the pilot nearly concluded, 51 percent of the eligible investors have opted into the pilot, resulting in 244 cases.

Investors who choose to have their claim heard under the pilot program — and the firm named in the claim — receive the same three lists of potential arbitrators that parties in non-pilot disputes receive: lists of eight chair-qualified public arbitrators, eight public arbitrators and eight non-public arbitrators. Investors participating in the pilot may choose either an all-public three-member panel or a majority public panel with one non-public arbitrator.

To date, in the 225 pilot cases where ranking lists have been returned, investors have ranked one or more non-public arbitrators half the time and struck all eight non-public arbitrators in the other half. Thus, investors are choosing to have a non-public arbitrator in 50 percent of the pilot cases.

Detailed information about the pilot program is available at:  
<http://www.finra.org/ArbitrationMediation/Parties/ArbitrationProcess/NoticesToParties/P116995>.

FINRA operates the largest securities dispute resolution forum in the world. It facilitates the efficient resolution of monetary, business, and employment disputes between investors, securities firms, and employees of securities firms by offering both arbitration and mediation services through a network of hearing locations across the United States. It currently maintains a roster of approximately 6,300 arbitrators and conducts arbitrations in 72 hearing locations in the United States and abroad.

FINRA is the largest non-governmental regulator for all securities firms doing business in the United States. Created in 2007 through the consolidation of NASD and NYSE Member Regulation, FINRA is dedicated to investor protection and market integrity through effective and efficient regulation and complementary compliance and technology-based services. FINRA touches virtually every aspect of the securities business — from registering and educating all industry participants to examining securities firms; writing and enforcing rules and the federal securities laws; informing and educating the investing public; providing trade reporting and other industry utilities; and administering the largest dispute resolution forum for investors and registered firms. For more information, please visit our Web site at [www.finra.org](http://www.finra.org).

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