

PIABA: “INVESTOR CHOICE ACT” NEEDED TO HELP MAIN STREET INVESTORS BETTER PROTECT THEIR NEST EGGS

Investor Advocates Speak Out in Support of Newly Introduced Bill

WASHINGTON, D.C. – April 15, 2021 – The [Public Investors Advocate Bar Association \(PIABA\)](#) lent its support today to the [Investor Choice Act of 2021](#) introduced on Capitol Hill. The long-overdue measure would protect Main Street investors by giving them a choice between arbitration and court if a dispute arises, as well as permitting class action lawsuits.

In a statement, PIABA President David P. Meyer, a Columbus, OH., attorney, said:

“Investors who are customers of brokerage firms have been at a severe disadvantage for decades now by being forced into the single avenue of mandatory arbitration. Investors who are customers of registered investment advisors are typically forced into arbitration forums that are cost-prohibitive and not well suited to handle investment disputes. Those of us who fight in the trenches every day for investors seeking relief from financial advisor abuses know all too well that the Investor Choice Act of 2021 is urgently needed.”

“For the past 30 years, investors have not had the ability to opt out of arbitration, because if they chose to opt out, they would not be permitted to open brokerage accounts. As more and more investors move to the investment advisory space, mandatory arbitration clauses follow them there as well. The mandatory pre-dispute arbitration clauses have been and continue to be contracts of adhesion in which the investor has no choice. As it stands today, the courthouse doors are locked for Main Street investors and that is simply unconscionable.”

“Arbitration of investment disputes has its upsides and FINRA has made great improvements to its dispute resolution forum for brokers and brokerage firms over the past 20 years. However, when an investor has a dispute with a registered investment advisor (as opposed to a broker or brokerage firm), they are usually forced into other arbitration forums which have not made the same improvements, and which are often cost

prohibitive. Investors may be left with no justice at all, and firms are not held accountable for their misconduct.”

“Investors should be able to exercise their right to a day in court if they believe that is the best remedy. If arbitration is an appropriate option, investors should have the right to evaluate it as an option *after* their dispute arises. For investors, the availability of real options for resolving their disputes would be empowering. Retail investors and financial services firms are in fundamentally different bargaining positions (with the firms being in the position of much greater bargaining power and possessing far greater resources) throughout the course of the entire relationship; allowing investors to choose the forum for resolution of disputes is one way to help level the playing field.”

“For brokerage firm disputes, it seems clear that many investors would still choose to use FINRA dispute resolution. But the existence of real choice undoubtedly would have the salutary side effect of making the FINRA process fairer, more transparent and more investor friendly. While FINRA has a number of investor friendly rules, there are still many areas for improvement. Giving investors the option to also bring claims in court when appropriate would help to ensure that FINRA will continue to improve the arbitration process such that many investors opt to have their cases heard there.”

“For clients of registered investment advisers, investor choice will give them an opportunity to have their cases heard in an accessible and affordable forum. Like brokerage firm clients, many investors may still choose arbitration, but they will have the ability to choose an arbitration forum that is not cost prohibitive and well-suited to handle investment disputes.”

MEDIA CONTACT: Alex Frank, (703) 276-3264 or afrank@hastingsgroup.com.