

**STATEMENT OF PIABA PRESIDENT, MICHAEL S. EDMISTON,
ABOUT JUDGMENT FINDING SECURITIES INDUSTRY-SPONSORED
ARBITRATION PROVIDER, FINRA DISPUTE RESOLUTION, TIPPED THE
SCALES TO FAVOR INDUSTRY**

PIABA calls for an immediate investigation by the SEC and Congressional hearings as to FINRA'S operation of its arbitration forum.

On January 25, 2022, a Georgia state court vacated a FINRA arbitration award in favor of Wells Fargo finding that Wells Fargo and its counsel manipulated the arbitration process. The manipulation was accomplished with the help of FINRA Dispute Resolution.

Judge Belinda E. Edwards excoriated the conduct of FINRA Dispute Resolution in managing the arbitration selection process and the arbitration panel for permitting a variety of misconduct by Wells Fargo Clearing Services and its counsel.

Of immediate concern to PIABA is the apparent corruption of the arbitrator selection process. The Court found Wells Fargo and its counsel manipulated the arbitration process to deny Claimants their right to a neutral arbitration panel.

According to the Order, Wells Fargo and its attorney had an unwritten agreement with FINRA that FINRA would remove certain arbitrators from any list presented to this particular counsel. Judge Edwards found, “[p]ermitting one lawyer to secretly red line the neutral list makes the list anything but neutral, and calls into question the entire fairness of the arbitral forum.”

The FINRA Neutral List Selection System process, implemented in 1998, exists in its current form because of concerns how FINRA previously managed its arbitrator appointment process dating back to the 1990s. Prior to October 1998, FINRA staff controlled the arbitrator appointment process. In testimony before Congress on March 17, 2005, then-President of NASD Dispute Resolution, Linda Feinberg, explained why FINRA implemented the computerized selection system, “[t]his system gives parties direct input into the arbitrator selection process and ensures that NASD staff does not control which arbitrators are selected.” <https://archives-financialservices.house.gov/media/pdf/031705lf.pdf> The secret agreement undermines the very neutrality of the computerized system.

The surprising revelation of a corrupted arbitrator appointment system comes on the heels of the General Accounting Office on December 15, 2021, questioning the Securities and Exchange Commission's supervision of FINRA and its operations. <https://www.gao.gov/products/gao-22-105367>.

Investors must have the assurance that the industry-sponsored FINRA arbitration forum is not tipping the scales against investors by excluding arbitrators who have issued pro-Claimant awards in prior cases.

PIABA calls for an immediate investigation by the SEC and Congressional hearings as to FINRA'S operation of its arbitration forum.

Source: [*Leggett, et al. v. Wells Fargo Clearing Services, et al.*](#) Order Granting Motion to Vacate Arbitration Award (Civil Action File No. 2019CV328949, Fulton County, GA); FINRA Case No. 17-01077

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