

12800. Simplified Arbitration

(a) Applicability of Rule

This rule applies to arbitrations involving \$50,000 or less, exclusive of interest and expenses. All arbitrations administered under this rule will be decided on the pleadings and other materials submitted by the parties unless the customer requests a hearing under paragraph (c) of this rule. Except as otherwise provided in this rule, all provisions of the Code apply to such arbitrations.

(b) Single Arbitrator

All arbitrations administered under this Rule will be decided by a single public arbitrator appointed from the FINRA chairperson roster in accordance with the list selection algorithm, unless the parties agree in writing otherwise. An arbitrator must evidence successful completion of, and agreement with, enhanced expungement training provided by FINRA Dispute Resolution Services prior to considering a request to expunge customer dispute information in an arbitration administered under this Rule.

(c) Hearings

(1) No hearing will be held in arbitrations administered under this rule unless the customer requests a hearing.

(2) If no hearing is requested, no initial prehearing conference or other prehearing conference will be held, and the arbitrator will render an award based on the pleadings and other materials submitted by the parties.

(3) If the customer requests a hearing, the customer must select between one of two hearing options under this Rule.

(A) Option One — the regular provisions of the Code relating to prehearings and hearings, including all fee provisions.

(B) Option Two — a special proceeding, subject to the regular provisions of the Code relating to prehearings and hearings, including all fee provisions, except as modified by subparagraphs (i) through (viii) of this paragraph:

(i) a special proceeding will be held by video conference, unless the customer requests at least 60 days before the first scheduled hearing that it be held by telephone, or the parties agree to another type of hearing session;

(ii) the claimants, collectively, are limited to two hours to present their case and ½ hour for any rebuttal and closing statement, exclusive of questions from the arbitrator and responses to such questions;

(iii) the respondents, collectively, are limited to two hours to present their case and ½ hour for any rebuttal and closing statement, exclusive of questions from the arbitrator and responses to such questions;

(iv) notwithstanding subparagraphs (ii) and (iii) above, the arbitrator has the discretion to cede his or her allotted time to the parties;

(v) in no event shall a special proceeding exceed two hearing sessions, exclusive of prehearing conferences, to be completed in one day;

(vi) the parties may not question the opposing parties' witnesses;

(vii) a customer may not call an opposing party, a current or former associated person of a member party or a current or former employee of a member party as a witness; and

(viii) members and associated persons may not call a customer of a member party as a witness.

(d) Requests to Expunge Customer Dispute Information

(1) When an Associated Person is Named as a Respondent

(A) An associated person named as a respondent in a simplified investment-related, customer-initiated arbitration may request expungement during the arbitration of the customer dispute information associated with the customer's statement of claim, provided the request is not barred pursuant to [Rule 12805\(a\)\(1\)\(B\)](#).

(B) If an associated person named as a respondent requests expungement during the simplified investment-related, customer-initiated arbitration:

(i) the request must be filed in the answer or a separate pleading requesting expungement and meet the requirements of [Rule 12805\(a\)\(1\)\(C\)\(ii\)](#). If the associated person requests expungement in a pleading other than an answer, the request must be filed within 30 days after the date FINRA notifies the associated person of the appointment of the arbitrator; and

(ii) the arbitrator from the simplified arbitration shall consider and decide the expungement request in accordance with [Rule 12805\(c\)](#).

(C) If the associated person named as a respondent withdraws or does not pursue an expungement request after filing the request during the simplified investment-related, customer-initiated arbitration, the arbitrator shall deny the expungement request with prejudice.

(2) On Behalf of an Unnamed Person

(A) A party to a simplified investment-related, customer-initiated arbitration may request expungement on behalf of an unnamed person during the arbitration of the customer dispute information associated with the customer's statement of claim with the written consent of the unnamed person, provided the request is not barred pursuant to [Rule 12805\(a\)\(1\)\(B\)](#).

(B) If a party requests expungement on behalf of an unnamed person during a simplified investment-related, customer-initiated arbitration:

(i) the request must be filed: (a) in compliance with Rules [12805\(a\)\(1\)\(C\)\(ii\)](#), [12805\(a\)\(2\)\(C\)\(ii\)](#), and [12805\(a\)\(2\)\(D\)](#); and (b) within 30 days after the date FINRA notifies the parties of the appointment of the arbitrator; and

(ii) the arbitrator from the simplified arbitration shall consider and decide the expungement request in accordance with [Rule 12805\(c\)](#).

(C) If the requesting party withdraws or does not pursue an expungement request after filing the request during a simplified investment-related, customer-initiated arbitration, the arbitrator shall deny the expungement request with prejudice.

(D) If a party to the simplified investment-related, customer-initiated arbitration does not request expungement on behalf of the unnamed person, the unnamed person shall not file a motion to intervene in the simplified arbitration to request expungement of customer dispute information associated with the customer's statement of claim.

(e) Deciding Expungement Requests

(1) If an associated person named as a respondent, or a party on behalf of an unnamed person, requests expungement during a simplified investment-related, customer-initiated arbitration, the expungement request shall be decided by the arbitrator from the simplified arbitration, as follows:

(A) No Hearing or Option Two Special Proceeding. If a customer requests no hearing pursuant to [Rule 12800\(c\)\(2\)](#), or an Option Two special proceeding pursuant to [Rule 12800\(c\)\(3\)\(B\)](#), the arbitrator shall hold a separate expungement hearing pursuant to [Rule 12805\(c\)](#) to consider and decide the expungement request and issue the decision on the expungement request in a separate, subsequent award in accordance with [Rule 12805\(c\)\(8\)](#).

(B) Option One Hearing. If a customer requests an Option One hearing pursuant to [Rule 12800\(c\)\(3\)\(A\)](#), the arbitrator shall consider and decide the expungement request, as follows:

(i) If the simplified arbitration closes by award after a hearing, the arbitrator shall consider and decide the expungement request during the Option One hearing in accordance with [Rule 12805\(c\)](#), and issue the decision on the expungement request in the same award in accordance with [Rule 12805\(c\)\(8\)](#).

(ii) If the simplified arbitration closes other than by award or by award without a hearing, the arbitrator shall hold a separate expungement hearing, pursuant to [Rule 12805\(c\)](#), to consider and decide the expungement request. At the conclusion of the expungement hearing, the arbitrator shall issue a separate award in accordance with [Rule 12805\(c\)\(8\)](#).

(2) If an associated person named as a respondent, or a party on behalf of an unnamed person, does not request expungement of the customer dispute information associated with the customer's statement of claim during the simplified investment-related, customer-initiated arbitration, the associated person may request expungement pursuant to [Rule 13805](#) after the simplified arbitration has closed, provided that the request is not barred by [Rule 13805\(a\)\(2\)](#).

(f) Notifications

(1) Notification to State Securities Regulators

The Director shall notify state securities regulators, in the manner determined by the Director in collaboration with state securities regulators, of an expungement request within 15 days of receiving an expungement request that includes all the elements described in [Rule 12805\(a\)\(1\)\(C\)\(ii\)](#).

(2) Notification to Customers

The Director shall notify all customers from the simplified arbitration of an expungement hearing conducted pursuant to Rule 12800(e)(1) or [Rule 13805](#), and the customers shall be permitted to attend and participate in the hearing in accordance with [Rule 12805\(c\)](#) or [Rule 13805\(c\)](#), as applicable.

(g) Discovery and Additional Evidence

(1) Document Production Lists, described in [Rule 12506](#), do not apply to arbitrations subject to this rule. However, the arbitrator may, in his or her discretion, choose to use relevant portions of the Document Production Lists in a manner consistent with the expedited nature of simplified proceedings.

(2) The parties may request documents and other information from each other. All requests for the production of documents and other information must be served on all other parties, and filed with the Director, within 30 days from the date that the last answer is due. Any response or objection to a discovery request must be served on all other parties and filed with the Director within 10 days of the receipt of the requests. The parties receiving the request must produce the requested documents or information to all other parties by serving the requested documents or information by first-class mail, overnight mail service, overnight delivery service, hand delivery, email or facsimile. Parties must not file the documents with the Director. The arbitrator will resolve any discovery disputes.

(h) Increases in Amount in Dispute

If any pleading increases the amount in dispute to more than \$50,000, the arbitration will no longer be administered under this Rule, and the regular provisions of the Code will apply. If an arbitrator has been appointed, that arbitrator will remain on the panel. If a three-arbitrator panel is required or requested under [Rule 12401](#), the remaining arbitrators will be appointed by the Director in accordance with [Rule 12403](#). If no arbitrator has been appointed, the entire panel will be appointed in accordance with the list selection algorithm.

(i) Arbitrator Honoraria

FINRA will pay the arbitrator an honorarium of \$350 for each arbitration decided on the pleadings and other materials submitted by the parties. In cases where the customer requests a hearing, the regular provisions of the Code relating to arbitrator honoraria will apply.

Amended by SR-FINRA-2022-033 eff. March 4, 2024.
Amended by SR-FINRA-2022-024 eff. Oct. 16, 2023.
Amended by SR-FINRA-2022-026 eff. Sept. 15, 2022.
Amended by SR-FINRA-2018-003 eff. Sept. 17, 2018.
Amended by SR-FINRA-2016-029 eff. April 3, 2017.
Amended by SR-FINRA-2014-026 eff. Dec. 15, 2014.
Amended by SR-FINRA-2013-023 eff. Sep. 30, 2013.
Amended by SR-FINRA-2012-012 eff. July 23, 2012.
Amended by SR-FINRA-2011-007 eff. Feb. 16, 2011.
Amended by SR-FINRA-2008-021 eff. Dec. 15, 2008.
Adopted by SR-NASD-2003-158 eff. April 16, 2007.

Selected Notices: [07-07](#), [08-57](#), [12-30](#), [13-30](#), [14-49](#), [17-03](#), [18-21](#), [23-12](#), [24-03](#).

VERSIONS

Mar 04, 2024 onwards