

January 21, 2025

*Via Email Only @ [rule-comments@sec.gov](mailto:rule-comments@sec.gov).*

Jill M. Peterson  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

**RE: File No. SR-FINRA-2024-022, Notice of Filing of a Proposed Rule Change To Amend the Codes of Arbitration Procedure To Make Clarifying, Technical, and Procedural Changes to the Arbitrator List Selection Process.**

Dear Assistant Secretary Peterson:

I write on behalf of the Public Investors Advocate Bar Association ("PIABA"), an international bar association comprised of attorneys who represent investors in disputes with the securities industry. Since its formation in 1990, PIABA has promoted the interests of the public investor in all securities and commodities arbitration forums, while also advocating for public education regarding investment fraud and industry misconduct. Our members and their clients have a strong interest in rules promulgated by the Financial Industry Regulatory Authority ("FINRA") relating to both investor protection and disclosure. As such, PIABA frequently comments upon proposed rule changes and retrospective rule reviews in order to protect the rights and fair treatment of the investing public.

**Background**

We understand FINRA is proposing to amend FINRA Rules 12403 (Cases with Three Arbitrators) and 13403 (Generating and Sending Lists to the Parties) to increase the opportunity for public arbitrators who are not qualified to serve as chairpersons to be selected by a computer algorithm, known as the "list selection algorithm," for the list of arbitrators that is sent to the parties in certain customer and industry disputes that have a three-arbitrator panel. We also understand that FINRA seeks to amend other rules to codify certain practices that DRS has developed to establish new timeframes for objecting to requests for additional information from arbitrators, withdrawing such requests for additional information, and filing motions to remove arbitrators after disclosures of causal challenges, and align provisions of the Codes related to the expungement of customer dispute information. PIABA generally supports these amendments.

## Discussion/Position

The appointment of arbitrators is perhaps the most important procedural part of the arbitration process. Investors who are forced into arbitration must have confidence in the integrity of the selection process and the fairness of the arbitrators appointed. PIABA believes it is vital that FINRA retain a deep bench of qualified, neutral arbitrators who will participate and preside over disputes in a truly fair and timely manner. PIABA remains concerned, particularly based on reported hearing results and research, that the current FINRA arbitration system continues to fail public investors in numerous respects. Increasing arbitrator roster depth and improving public arbitrator access to cases are worthwhile aims, especially if FINRA ensures that the arbitrators are quality arbitrators who are willing to provide public investors a fair shake. In order for the FINRA Arbitration process to continue as a viable forum, there should be a sufficient pool of qualified and fair-minded arbitrators to serve in the FINRA hearing venues across the country.

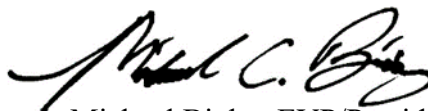
Moreover, PIABA believes that chair-qualified public arbitrators who live near their hearing location and who are more likely to be familiar with local laws and customs enhance investor confidence in the FINRA arbitration process, increase the efficiency of the arbitration process, and result in fewer delays or postponements. PIABA notes the statistic - that 78 percent of hearing locations lack a sufficient number of local chairpersons to generate enough arbitrators for Chairperson Lists – results in the list selection algorithm often generating lists that include chair-qualified public arbitrators from other hearing locations. Improving arbitration panels with qualified individuals, especially those who are local, should remain a priority, and PIABA supports such measures towards that goal.

PIABA also supports the proposed amendments that would assist in the efficient processing of FINRA Arbitration claims, including FINRA’s proposal of shortening the time for sending arbitrator lists to the parties. Additionally, PIABA supports proposals for increased transparency as well, including FINRA’s proposal to codify the parties’ rights to make additional requests for information from the arbitrators about potential conflicts or biases that might exist.

Notwithstanding, FINRA should monitor the impact of these proposed changes to avoid any potential disengagement or withdrawal from existing chair-qualified arbitrators who may receive fewer appointments. Improving access to case selection for public arbitrators should not result in the unintended consequence of reducing the pool of chair-qualified arbitrators. FINRA should also monitor these proposed amendments to ensure that the proposed amendments offer the efficiency and transparency anticipated.

In sum, PIABA supports the amendments, and thanks the Commission and FINRA for the opportunity to comment on these proposals.

Sincerely,



Michael Bixby, EVP/President Elect  
Public Investors Advocate Bar Association