

# FINRA Dispute Resolution

Arbitration, Mediation and the Neutrals Who Serve



Everyday, our neutrals provide quick, fair and efficient resolution of securities-related disputes.

Most business in the securities industry is conducted fairly and efficiently. But when problems arise, our neutrals stand ready to help investors, securities firms and individual registered representatives resolve securities-related disputes.

In 2013, more than 3,700 arbitration claims and nearly 500 mediation cases were filed with FINRA, the Financial Industry Regulatory Authority.



- ▶ FINRA Dispute Resolution, a division of FINRA, operates the largest forum in the United States to facilitate the resolution of securities industry-related disputes.

## About FINRA

FINRA is the largest independent regulator for all securities firms doing business in the United States. FINRA's mission is to protect America's investors by making sure the securities industry operates fairly and honestly. All told, FINRA oversees more than 4,100 brokerage firms, nearly 161,000 branch offices and more than 635,000 registered securities representatives.

FINRA touches virtually every aspect of the securities business—from registering and educating industry participants to examining securities firms; writing rules; enforcing those 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. We also perform market regulation under contract for major U.S. stock markets. Authorized by the federal government, FINRA protects American investors from fraud and bad practices.

## About FINRA Dispute Resolution

FINRA Dispute Resolution operates the largest forum in the United States specifically designed to facilitate the resolution of business and employment disputes between and among investors, securities firms and individual brokers.

FINRA Dispute Resolution handles more than 99 percent of securities-related arbitrations and mediations in the United States through its network of regional offices. We conduct arbitrations and mediations in more than 70 hearing locations, including at least one in all 50 states, Puerto Rico and London. We maintain a roster of more than 6,400 arbitrators and nearly 250 mediators around the country.



## Two Methods of Dispute Resolution: Arbitration and Mediation

Most business in the securities industry is conducted fairly and efficiently. However, disputes or problems can arise. FINRA's Dispute Resolution forum offers two non-judicial processes—arbitration and mediation—to resolve securities-related disputes between and among investors, securities firms and individual brokers. Most securities disputes are resolved through arbitration, unless all parties agree to mediation.

### Our Forum

#### Arbitration and mediation are:

- ▶ Alternatives to the legal court system
- ▶ Less formal than litigation
- ▶ Often more cost-effective than a court case
- ▶ Time-efficient
- ▶ Resolved by fair-minded professionals

#### Arbitration

Arbitration is a formal dispute resolution process in which the parties—customers, associated persons or brokerage firms making or responding to a claim—select a neutral, third party, called an arbitrator, to listen to the arguments set forth by the parties, study the testimonial and/or documentary evidence, and render a decision on the matter. Every day, our arbitrators hear and decide cases, including but not limited to disputes about unauthorized trading to breach of fiduciary duty to unsuitability of recommended investments.

The arbitrator's decision is final and binding, subject to review by a court on very limited grounds. Generally, arbitration is faster, less expensive and less formal than litigation.

#### Mediation

At any time before filing an arbitration or a case concludes with an award, many parties consider mediation—a natural first step in the dispute resolution process. Mediation is a process in which a trained and impartial person, called a mediator, facilitates negotiations between disputing parties, helping them to find a mutually acceptable resolution. The mediator helps parties narrow the issues and keeps the discussion focused and productive. Mediation is flexible, and the process can vary from case to case depending on the parties' needs and the mediator's style. FINRA mediations result in settlements over 80 percent of the time and the process is usually significantly faster than arbitration.

Unlike arbitration, mediation is voluntary and is not binding until the parties reach and sign a settlement agreement. The mediator does not impose a solution, but rather, helps parties to form and agree upon a solution themselves.



- ▶ FINRA neutrals are not employees of FINRA, but are independent contractors who serve at the discretion of FINRA. Therefore, they are not eligible to receive FINRA employee or unemployment benefits.

## FINRA Neutrals

FINRA arbitrators and mediators, also known as FINRA neutrals, represent a broad cross-section of fair-minded individuals, diverse in culture, profession and background. Among other professions, FINRA neutrals may be lawyers, educators, doctors, accountants and securities professionals. Because the role of a neutral is the most critical component of a fair dispute resolution forum, FINRA recruits only highly qualified and unbiased individuals to carry out this important work.

The skills required to become an arbitrator or mediator are unique, and the two neutral pools are separate and distinct. Arbitrators are not required to have knowledge of the securities industry, but they must complete FINRA's Basic Arbitrator Training Program and pass an examination before becoming eligible to serve on arbitration cases. FINRA has created a solid arbitrator training curriculum that serves as a model for other training programs across the United States. If you are an attorney, this training may qualify you for Continuing Legal Education (CLE) credit in your state. FINRA Dispute Resolution also offers advanced arbitrator training on specific areas of FINRA's arbitration rules and processes.

Some FINRA arbitrators serve as FINRA mediators and some of our neutrals serve as mediators only. Parties prefer to work with mediators with securities industry expertise and knowledge. FINRA mediators must have prior mediation training and experience and preferably mediation experience in resolving securities and/or employment matters. FINRA does not provide mediator training and seeks experienced mediators with transferrable skills and knowledge relevant to the forum.

- ▶ More than 83 percent of the parties believed that the mediator helped them understand the strengths and weaknesses of their cases.



## Serving As a FINRA Neutral

FINRA neutrals have the opportunity to acquire a broad knowledge of the securities industry and gain experience with a respected forum, including the chance to:

**Develop Skills.** By serving in our forum, not only will you learn the skills necessary to become a FINRA arbitrator, you will also acquire valuable skills that can be applied in other professional, arbitration or mediation settings.

**Give Back.** If you're looking for an opportunity to serve the public or give back to your community, serving as an arbitrator or mediator enables you to help others by applying your professional knowledge.

**Build Your Network.** Serving with other neutrals on a panel gives you the opportunity to meet and network with other professionals, including individuals who work inside and outside the securities industry.

**Earn Honoraria.** FINRA neutrals also receive honoraria for their service on cases. Arbitrators receive a modest honorarium for each regular or prehearing session they attend. The honorarium schedule is established by the Code of Arbitration Procedure. In some cases, FINRA may reimburse arbitrators for reasonable travel expenses to attend a hearing. For further details, please refer to FINRA's Guidelines for Arbitration Reimbursement on our website at [www.finra.org/ArbitrationMediation](http://www.finra.org/ArbitrationMediation).

Mediators set their own hourly rate, and FINRA bills the parties who are responsible for paying the mediator's fees and expenses, including the mediator's travel. Parties share these charges equally unless they agree otherwise.

### Interested in becoming an arbitrator?

Unless waived by FINRA at its discretion, arbitrator applicants must have a minimum of five years of paid business and/or professional experience and at least two years of college-level credits. Apply now at [www.finra.org/BecomeAnArbitrator](http://www.finra.org/BecomeAnArbitrator) or contact our recruitment team at [arbrecruitment@finra.org](mailto:arbrecruitment@finra.org).

### Interested in becoming a mediator?

If you are an experienced mediator with securities and/or employment expertise, you may be eligible to join our roster. To learn more, visit our website at [www.finra.org/BecomeAMediator](http://www.finra.org/BecomeAMediator) or email [mediate@finra.org](mailto:mediate@finra.org).

▶ I greatly enjoy being on FINRA's roster. I've been on the bench for 27 years, and FINRA provides the basic procedures I'm used to for arbitration service. I especially like FINRA's high standards and complete impartiality.

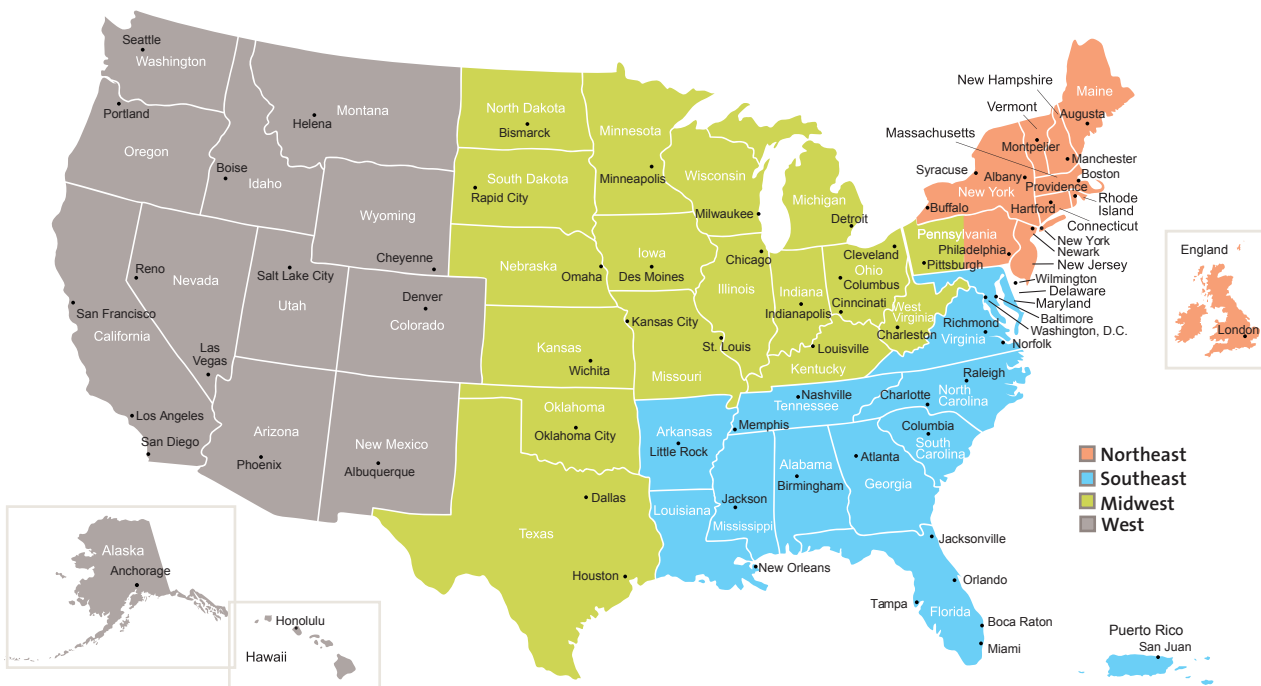
—Arbitrator, Philadelphia, PA



▶ Interested in learning more?  
 Visit [www.finra.org/ArbitrationMediation](http://www.finra.org/ArbitrationMediation)

# FINRA Dispute Resolution Offices and Hearing Locations

FINRA offers more than 70 hearing locations for arbitration and mediation cases, including at least one in each state in the United States; one in San Juan, Puerto Rico; and one in London, England. We administer cases from our four regional offices: Northeast (New York City), Southeast (Boca Raton, FL), Midwest (Chicago) and West (Los Angeles).





Investor protection. Market integrity.

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