

State Securities Regulators Say New Study Clearly Shows Investors View Securities Arbitration as Biased and Unfair

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NASAA Calls on FINRA, SEC to Improve the Integrity of Securities Arbitration System by Removing Mandatory Industry Representative from Arbitration Panels

WASHINGTON, D.C. February 6, 2008—The North American Securities Administrators Association (NASAA) today called upon the Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission (SEC) to take immediate action to improve the fairness of the system of securities arbitration, beginning with the removal of the mandatory industry representative from arbitration panels used to resolve securities disputes involving customers and industry.

NASAA's call follows today's release by the Securities Industry Conference on Arbitration (SICA) of its survey of the participants in the NASD and NYSE arbitrations: An Empirical Study: Perception of Fairness of Securities Arbitration. Click here to download the full report.

"The study overwhelmingly demonstrates that investors view the securities arbitration forum as biased and unfair," said Karen Tyler, North Dakota Securities Commissioner and President of NASAA, the oldest international organization devoted to investor protection. NASAA's membership consists of the securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico.

According to the SICA study:

- Nearly half of the customers who expressed their views believed their arbitration panel was biased;
- 62 percent believed the arbitration process was unfair; 70 percent were dissatisfied with the outcome;
- 49 percent stated that the arbitration process was too expensive, and; A striking 75 percent of customers who compared their arbitration process to their civil litigation process indicated that arbitration was "very unfair" or "somewhat unfair" compared to court.

"The SICA study's results are disturbing, and they support what state regulators have been hearing from investors in their states – investors believe that the arbitration forum they are forced to participate in is rigged against them," said Bryan Lantagne, Director of the Massachusetts Securities Division and chair of NASAA's Arbitration Project Group.

For details, and a link to the SICA study, please follow the link below:

http://www.nasaa.org/NASAA_Newsroom/Current_NASAA_Headlines/8081.cfm