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May 14, 2014

VIA ELECTRONIC SUBMISSION

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

**Re: File No. SR-FINRA-2014-020, Proposed Rule Change to Adopt
FINRA Rule 2081 (Prohibited Conditions Relating to
Expungement of Customer Dispute Information)**

Dear Ms. Murphy:

The Pace Investor Rights Clinic at Pace Law School, operating through John Jay Legal Services, Inc. (“PIRC”),¹ welcomes the opportunity to write this comment letter in support of FINRA’s proposed adoption of FINRA Rule 2081 to prohibit member firms and associated persons from conditioning the settlement of a dispute with a customer on obtaining expungement relief.

PIRC believes that proposed Rule 2081 is consistent with FINRA’s goal of protecting investors from fraudulent and manipulative acts and practices. Currently, some member firms and associated persons regularly condition settlement agreements on obtaining expungement relief, despite FINRA’s numerous attempts to prevent such a practice. This practice inhibits FINRA’s goal of providing accurate and complete customer dispute information to the public through BrokerCheck, which is derived from the Central Registration Depository (CRD). This practice also forces investors who want to resolve their claims pre-award to avoid the expense and time of an arbitration hearing to admit, or at a minimum not oppose, a statement that the claims they brought were “factually impossible,” “clearly erroneous,” or “false” when brought. This places

¹ PIRC opened in 1997 as the nation’s first law school clinic in which J.D. students, for academic credit and under close faculty supervision, provide pro bono representation to individual investors of modest means in arbitrable securities disputes. See Barbara Black, *Establishing A Securities Arbitration Clinic: The Experience at Pace*, 50 J. LEGAL EDUC. 35 (2000); see also Press Release, Securities Exchange Commission, SEC Announces Pilot Securities Arbitration Clinic To Help Small Investors - Levitt Responds To Concerns Voiced At Town Meetings (Nov. 12, 1997), available at <http://www.sec.gov/news/press/pressarchive/1997/97-101.txt>.

investors, and their attorneys – who have ethical duties to bring only those claims with a good faith basis – in an untenable situation.

Brokerage firms and potential investors rely on BrokerCheck to provide them with accurate and complete customer dispute information to assist them in deciding whether to hire or conduct business with a broker. According to a 2013 PIABA study, between the beginning of 2007 and mid-May 2009, arbitrators granted expungement relief in 89 percent of arbitrations that were resolved by either settlement or stipulated award. Between mid-May 2009 and the end of 2011, arbitrators granted expungement relief in 96.9 percent of arbitrations that were resolved in the same manner. As a result of these conditioned expungements, critical information about a broker or a brokerage firm is not maintained in the CRD and, therefore, not available to provide investors and potential employers with the information needed to make well-informed decisions. For these reasons, the CRD is ineffective in providing accurate and complete information regarding customer disputes to the public.

The proposed rule will decrease the frequency with which arbitrators grant unwarranted expungement relief, thus enhancing the transparency of the securities industry. Brokerage firms and potential investors will have the information they need to make well-informed decisions. PIRC supports the proposed rule as the right step towards protecting investors, particularly those of modest means who do not have ready access to industry information.

Respectfully yours,

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