American International Group, Inc.
175 Water Street
New York, NY 10038
www.aig.com

Greg Curley
Senior Litigation Counsel
AIG Advisor Group, Inc.
T [redacted]

November 6, 2014

By Email
rule-comments@sec.gov

Office of the Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: **SR-FINRA-2014-028 Notice of Filing of Proposed Rule Change Relating to Revisions to the Definitions of Non-Public Arbitrator and Public Arbitrator**

Ladies and Gentlemen:

American International Group, Inc. (AIG) appreciates the opportunity to provide the Securities and Exchange Commission (SEC) with comments on the proposed rule change referenced above which was originally filed by the Financial Industry Regulatory Authority, Inc. (FINRA) on June 17, 2014 and, thereafter, was the subject of an October 1, 2014 Order issued by the SEC that instituted proceedings to determine whether to approve or disapprove.

AIG is a leading international insurance organization serving customers in more than 130 countries and jurisdictions. AIG companies serve commercial, institutional, and individual customers through one of the most extensive worldwide property-casualty networks of any insurer. In addition, AIG companies are leading providers of life insurance and retirement services in the United States.

AIG is the ultimate corporate parent of retail broker-dealers Royal Alliance Associates, Inc., SagePoint Financial, Inc., Woodbury Financial Services, Inc., and FSC Securities Corporation. By virtue of this ownership of broker-dealer entities, we take a strong interest in ensuring that the FINRA arbitration process is fair and balanced and that FINRA appoints arbitrators who have no perceived bias.

We wish to specifically focus our comments on the proposed new Rule 12100(p)(3) and corresponding proposed 12100(u)(3), (7) and (10), under which attorneys and other professionals who service investors in securities

disputes would henceforth be classified as "non-public" arbitrators. We believe that this change in classification is necessary and appropriate, especially in light of the sweeping panel composition changes that were enacted in 2011 for all FINRA arbitration customer cases.

We have reviewed the arguments propounded by the Public Investors Arbitration Bar Association ("PIABA") in its July 24, 2014 Comment Letter. PIABA takes direct issue with this specific change to the classification of persons who service public investors. We must respectfully disagree with the reasoning behind this opposition.

PIABA asserts that this specific change would "mark a radical departure from the historical logic of designating arbitrators as 'non-public' and 'public'," and it relies on 2004 comments by the NASD to support its claims that the distinction between public arbitrators and non-public arbitrators was borne out of, and should remain focused on, addressing "perceived bias on the part of the industry."

This position wholly ignores the changes to panel composition for customer claims that occurred in 2011. Since the Commission's January 31, 2011 approval of SR-FINRA-2010-053 (the "all public panel rule"), all FINRA arbitration claimants have been given the unilateral ability to eliminate all industry arbitrators from service on their cases. The outdated NASD comments on which PIABA relies for support of its opposition to the current proposal comes from a prior time in FINRA arbitration when one arbitrator on every customer claim panel was required to be an "industry" arbitrator. Since implementation of the "all public panel rule" in 2011, customers can eliminate all "industry" arbitrators from consideration for their claim's arbitration panel. Accordingly, the need to control perceived bias on the part of the industry in panel composition has already been addressed.

What has not been addressed until now is the balance needed to avoid panel composition affected by perceived bias of customer representative arbitrators against the industry. Although misguided on the specifics, the elemental concern behind PIABA's comments regarding perceived bias shows precisely why approval of proposed 12100(p)(3) and (u)(3), (7) and (10) is so important – people are generally perceived as biased towards the side of a dispute for which they regularly advocate. Since 2011, FINRA arbitration has been left with no counterbalance to the bias that a customer representative arbitrator may be perceived as having against the industry. We support the current effort to correct this state of affairs.

Of course, any party may use their allotted preemptive strikes in an effort to establish a fair and balanced panel. But under current rules, the burden of using this scarce resource falls disproportionately upon respondents. While the current rule shields customer representative arbitrators, respondents must use a preemptive strike to seek a balanced panel. Use of a preemptive strike on an investor advocate, however, means a respondent has one less strike to use on other proposed arbitrators – this fact in and of itself alters ultimate panel composition unfavorably against the industry respondent.

PIABA further asserts in its opposition to the proposed rule change that "FINRA cites no evidence to support the conclusion that attorneys, accountants and other professionals who serve the investing public are biased for or against the securities industry." While data from the limited number of live cases makes such bias difficult to prove, the lack of statistical award support does not mean that impact from this issue is lacking. Many settlements are driven by the impact of arbitrator background. In fact, PIABA implicitly acknowledges the impact of arbitrator background when it implores its members, as during at least one recent annual meeting I attended, to recruit new arbitrators to the FINRA pool from the ranks of their friends, sympathizers and day-to-day business contacts.

The inclusion of investor advocates in the "non-public" arbitrator classification is fair, necessary and appropriate – especially in light of the panel composition changes that were implemented in 2011. AIG strongly urges the Commission to adopt the proposed new Rule 12100(p)(3) and corresponding proposed 12100(u)(3), (7) and (10).

AIG appreciates the opportunity to comment on the rule change discussed above as proposed by FINRA and now subject to the SEC's order instituting proceedings to determine whether to approve or disapprove. We would be pleased to answer any questions you may have regarding our submission.

Respectfully submitted,

Greg Curley
Senior Litigation Counsel
AIG Advisor Group, Inc.