SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106957; File No. SR-FINRA-2026-017]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Partial Amendment No. 1 and Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Modified by Partial Amendment No. 1, to Amend the Codes of Arbitration Procedure to Make Changes to Certain Provisions Relating to Arbitrator List Selection

November 23, 2026.

I. Introduction

On August 12, 2026, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to amend the Code of Arbitration Procedure for Customer Disputes ("Customer Code")[3] and the Code of Arbitration Procedure for Industry Disputes ("Industry Code")[4] (together, "Codes") to amend FINRA Rules 12402 (Cases with One Arbitrator), 12403 (Cases with Three Arbitrators), 13406 (Appointment of Arbitrators; Discretion to Appoint Arbitrators Not on List), and 13411 (Replacement of Arbitrators).

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 The Customer Code governs a customer's claim about the business activities of an individual or entity registered with FINRA (e.g., associated persons of members). See FINRA Rules 12101, 12200, 12201.

4 The Industry Code generally governs business disputes exclusively among associated persons and/or members. See FINRA Rules 13101, 13200, 13202.

The proposed rule change was published for comment in the Federal Register on August 28, 2026.[5] The public comment period closed on September 18, 2026. The Commission received comment letters in response to the Notice.[6] On October 2, 2026, FINRA consented to an extension of the time period in which the Commission must approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to approve or disapprove the proposed rule change to November 26, 2026.[7] On November 20, 2026, FINRA responded to the comment letters received in response to the Notice and filed an amendment to modify the proposed rule change ("Partial Amendment No. 1").[8]

The Commission is publishing this order pursuant to Section 19(b)(2)(B) of the Exchange Act[9] to solicit comments on the proposed rule change, as modified by Partial Amendment No. 1 (hereinafter referred to as the "proposed rule change" unless otherwise specified), and to institute proceedings to determine whether to approve or disapprove the proposed rule change.

II. Summary of the Proposed Rule Change and Partial Amendment No. 1

A. Proposed Rule Change

As described in more detail in the Notice, FINRA proposes to, among other things, revise the processes for replacing arbitrators both prior to initial panel appointment and after initial panel appointment, as well as codify related FINRA guidance.

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5 See Exchange Act Release No. 106183 (Aug. 25, 2026), 91 FR 55637 (Aug. 28, 2026) (File No. SR-FINRA-2026-017) ("Notice"), https://www.govinfo.gov/content/pkg/FR-2026-08-28/pdf/2026-17549.pdf.

6 The comment letters received in response to the Notice are available at https://www.sec.gov/rules-regulations/public-comments/sr-finra-2026-017.

7 See letter from Meredith Mesa Meadows, Assistant General Counsel, Office of General Counsel, FINRA (Oct. 2, 2026), https://www.finra.org/sites/default/files/2026-10/SR-FINRA-2026-017-Extension1.pdf.

8 See letter from Kristine Vo, Assistant General Counsel, Office of General Counsel, FINRA (Nov. 20, 2026) ("FINRA Response Letter"), https://www.sec.gov/rules-regulations/public-comments/sr-finra-2026-017; see also Partial Amendment No. 1.

9 15 U.S.C. 78s(b)(2)(B).

Currently, FINRA uses a list selection algorithm to generate lists of arbitrators on a random basis from its roster of arbitrators.[10] The parties then select arbitrators using a process that involves striking and ranking the arbitrators on the lists.[11] If during the parties' arbitrator selection process, an arbitrator list does not contain enough arbitrators from which the parties can select a complete initial panel, the Codes provide processes for appointing a qualified arbitrator to complete the panel.[12]

The Codes also provide processes for appointing a replacement arbitrator if an arbitrator is removed from an arbitration case or becomes unable or unwilling to serve after the initial panel appointment.[13] In addition, as an alternative method for selecting replacement arbitrators after initial panel appointment, FINRA instituted a voluntary program called the Short List Option.[14] If the parties agree to use the current voluntary Short List Option, the list selection algorithm randomly generates a short list of potential arbitrators, which the Director of FINRA Dispute Resolution Services (the "Director") prescreens for availability for any scheduled hearings and then provides the parties with a list of qualified arbitrators (the number of which varies depending on the hearing schedule).[15] Each side may strike and rank the arbitrator names within a prescribed number of days.[16]

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10 See FINRA, How Parties Select Arbitrators, https://www.finra.org/arbitration-mediation/about/arbitration-process/arbitrator-selection.

11 See FINRA Rules 12402(d), 12403(c), 13404.

12 See FINRA Rules 12402(f), 12403(e), 13406(c).

13 See FINRA Rules 12402(g)(1)-(2), 12403(f)(1)-(2), (g)(1)-(2), (h)(1)-(2), and 13411(a)-(b).

14 See FINRA, Short List Option, https://www.finra.org/arbitration-mediation/rules-case-resources/special-procedures/short-list ("Short List Option"); see also Notice at 55639.

15 Id.; see also Notice at 55639.

16 See Short List Option; see also Notice at 55639.

Among other things, the proposed rule change would revise the processes under the Codes for appointing an arbitrator prior to the initial panel appointment when the number of arbitrators available to serve is insufficient to fill the panel.[17] In addition, the proposed rule change would codify the current voluntary Short List Option as the default method for selecting replacement arbitrators after the initial panel appointment based on the hearing schedule ("Proposed Short List Option"),[18] as well as codify the circumstances under which the Proposed Short List Option would be unavailable to the parties.[19] Under the proposed rule change, if the Proposed Short List Option is unavailable to the parties, the Director would appoint a replacement arbitrator, consistent with current procedures used when parties do not agree to the current voluntary Short List Option.[20] Finally, the proposed rule change would codify FINRA's expectations relating to replacement arbitrator duties and would codify FINRA's current practice of paying replacement arbitrators an honorarium.[21]

According to FINRA, the proposed rule change would protect investors and the public interest by providing parties with greater input into arbitrator selection at initial panel appointment and when replacing arbitrators after initial panel appointment.[22] FINRA also stated that the proposed rule change will protect investors and the public interest by codifying current practices that FINRA has developed to ensure it administers cases in a fair and efficient manner.[23]

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17 See Notice at 55638-55639.

18 Id. at 55639-55640.

19 Id. at 55640.

20 Id.

21 Id. at 55638-55640.

22 Id. at 55640.

23 Id. at 55640-41.

B. Partial Amendment No. 1

As described in the Notice, if the Proposed Short List Option is available, the Director would send a list of arbitrators to the parties,[24] and each opposing party (all separately represented claimants collectively and all separately represented respondents collectively) would strike and rank all remaining arbitrators on the short list in order of preference.[25] The number of arbitrators on the short list and the deadline for when the parties would be required to return the ranked short list would vary depending on the hearing schedule.[26] For example, under the Proposed Short List Option, if a hearing is scheduled between 10 and 20 days, the Director would be required to send a short list of three arbitrators to the opposing parties who would have no more than two days after the date upon which the Director sent the short list to parties to complete the ranked short list via the Party Portal.[27] If the Director does not receive a party's ranked short list within the prescribed timeframe, the Director would proceed as though the party did not want to strike any arbitrator or did not have any preferences among the listed arbitrators.[28]

Partial Amendment No. 1 would amend proposed FINRA Rules 12402(h)(3)(B)(ii), 12403(g)(3)(B)(ii), and 13411(f)(3)(B)(ii), as originally proposed in the Notice, to extend the

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24 See proposed FINRA Rules 12402(h), 12403(g), 13411(f).

25 See proposed FINRA Rules 12402(h)(3)(B), 12403(g)(3)(B), 13411(f)(3)(B).

26 See proposed FINRA Rules 12402(h)(1)(A)-(D), 12403(g)(1)(A)-(D), 13411(f)(1)(A)-(D); see also proposed FINRA Rules 12402(h)(3)(A)(ii) and (3)(B)(ii), 12403(g)(3)(A)(ii) and (B)(ii), 13411(f)(3)(A) and (B)(ii).

27 See proposed FINRA Rules 12402(h)(3)(B)(ii), 12403(g)(3)(B)(ii), 13411(f)(3)(B)(ii). Under the Customer Code, if a party is a pro se customer who opted out of using the Party Portal pursuant to Rule 12300(a), the party may return the ranked short list to the Director by first-class mail, overnight mail service, overnight delivery service, hand delivery, email or facsimile. See proposed FINRA Rules 12402(h)(3)(A)(ii), 12402(h)(3)(B)(ii), 12403(g)(3)(A)(ii), 12403(g)(3)(B)(ii). Parties would not be required to send a copy of their ranked short list to the opposing parties. See proposed FINRA Rules 12402(h)(3)(D), 12403(g)(3)(D), 13411(f)(3)(D).

28 See proposed FINRA Rules 12402(h)(3)(C), 12403(g)(3)(C), 13411(f)(3)(C).

timeframe for parties to return a ranked short list from two days to three days when the short list contains three arbitrators.[29] The response period would continue to be measured in calendar days from the date the Director sends the short list to the parties.[30] According to FINRA, the three-day period would provide parties with additional time to review and return their ranked short lists while allowing time for FINRA Dispute Resolution Services to complete the replacement process and for the replacement arbitrator to conduct the required review of the existing case record before participating in the hearing.[31]

III. Proceedings to Determine Whether to Approve or Disapprove File No. SR-FINRA-2026-017 and Grounds for Disapproval Under Consideration

The Commission is instituting proceedings pursuant to Section 19(b)(2)(B) of the Exchange Act to determine whether the proposed rule change should be approved or disapproved.[32] Institution of proceedings is appropriate at this time in view of the legal and policy issues raised by the proposed rule change. Institution of proceedings does not indicate that the Commission has reached any conclusions with respect to the proposed rule change.

Pursuant to Section 19(b)(2)(B) of the Exchange Act, the Commission is providing notice of the grounds for disapproval under consideration.[33] The Commission is instituting proceedings to allow for additional analysis and input concerning whether the proposed rule change is consistent with the Exchange Act and the rules thereunder.

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29 See Partial Amendment No. 1; see also FINRA Response Letter at 3.

30 FINRA Response Letter at 3.

31 Id.

32 15 U.S.C. 78s(b)(2)(B).

33 Id.

IV. Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues identified above, as well as any other concerns they may have with the proposed rule change. In particular, the Commission invites the written views of interested persons concerning whether the proposed rule change is consistent with the Exchange Act and the rules thereunder.

Although there do not appear to be any issues relevant to approval or disapproval that would be facilitated by an oral presentation of views, data, and arguments, the Commission will consider, pursuant to Rule 19b-4, any request for an opportunity to make an oral presentation.[34]

Interested persons are invited to submit written data, views, and arguments regarding whether the proposed rule change, as modified by Partial Amendment No. 1, should be approved or disapproved by [INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER]. Any person who wishes to file a rebuttal to any other person's submission must file that rebuttal by [INSERT DATE 35 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER].

Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's internet comment form (https://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include file number SR-FINRA-2026-017 on the subject line.

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[34] Section 19(b)(2) of the Exchange Act, as amended by the Securities Acts Amendments of 1975, Pub. L. 94-29, 89 Stat. 97 (1975), grants the Commission flexibility to determine what type of proceeding – either oral or notice and opportunity for written comments – is appropriate for consideration of a particular proposal by a self-regulatory organization. See Securities Acts Amendments of 1975, Report of the Senate Committee on Banking, Housing and Urban Affairs to Accompany S. 249, S. Rep. No. 75, 94th Cong., 1st Sess. 30 (1975).

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-FINRA-2026-017. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (https://www.sec.gov/rules/sro.shtml). Copies of such filing will be available for inspection and copying at the principal office of FINRA. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-FINRA-2026-017 and should be submitted on or before [INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER]. If comments are received, any rebuttal comments should be submitted on or before [INSERT DATE 35 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[35]

Stephanie J. Fouse,

Assistant Secretary.

[35] 17 CFR 200.30-3(a)(12); 17 CFR 200.30-3(a)(57).