

Prepared Remarks of Prof. Nicole G. Iannarone
Investor Advisory Committee October 12, 2017 Meeting
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Thank you for the invitation to join the Investor Advisory Committee today. My name is Nicole Iannarone and I direct the Investor Advocacy Clinic at Georgia State University College of Law. We appreciate this unique opportunity to discuss the investor protection role of securities arbitration clinics play. I will be sharing my time with Qudsia Shafiq, a third year law student who has been representing clinic clients for two semesters. Ms. Shafiq will discuss her experiences representing everyday investors while my remarks focus on the broader issue of securities arbitration clinics' investor protection role.

Securities arbitration clinics ensure economic justice. Twenty years ago, then SEC Chair Arthur Levitt learned that many investors with valid arbitration claims had no means of redress because their claim was too small for a private attorney. Chairman Levitt's novel solution was to ask law schools to fill the need through legal clinics. Pace Law School's Investor Rights Clinic, created in response to Chairman Levitt's call, celebrates its twentieth anniversary tonight and we extend our congratulations and thanks for their leadership.

Today, sixteen law schools have securities arbitration clinics. Georgia State took its first client in 2013. Our clients are regular people who have "small" claims –\$100,000 or less. Many of our cases are \$50,000 or less, qualifying them for simplified arbitration, yet those matters are anything but simple. Under attorney supervision, law students research and evaluate what happened. They counsel their clients and, if a claim exists, work to resolve the matter or file a FINRA arbitration. We help investors who do not have claims understand why.

Clinics are often the first to identify trends affecting small investors. We collaborate with federal and state regulators and discuss problematic practices that harm the most vulnerable investors. We have unique insight on FINRA and SEC rulemaking and actively participate in the process. At Georgia State, our students have commented on over two dozen rule proposals.

We do not charge our clients. Dedicated student attorneys devote thousands of hours for nothing more than course credit. They do it because they believe that regular investors should have a lawyer. Since fall 2013, Georgia State has provided over seven thousand hours of legal work to our clients, valued at almost \$900,000 using a conservative legal services rate. We do this with only six student attorneys each semester, exceeding the recommended limit of four because there is so much need. There is no shortage of students who want to help if we could accommodate them – I turned down 30 students last year.

The many hours clinics devote to regular people is not enough. Our colleagues at the University of Miami, the only Florida clinic, have a waitlist so long that they can no longer add names to it. But all of our phones still ring. For investors who reside in jurisdictions with no clinic, they may have nowhere to turn. Almost half of the pending FINRA proceedings are filed in jurisdictions without a clinic. These investors must fare for themselves or face another potential investor protection issue: the proliferation of non-attorney representatives (NARs). You might be wondering why we cannot serve investors outside our home states. It is because FINRA defers to each state's own limitation on who can practice law in that state. Many jurisdictions make it a crime for an attorney not licensed in that state to appear in a FINRA proceeding.

Ensuring that the sixteen remaining clinics survive and thrive is an investor protection issue. Many clinics, including ours at Georgia State, began with or received financial support

from the FINRA Investor Education Foundation or state regulators. Today, those sources do not fund new or existing clinics. Law schools face challenging economic realities and should not be the sole source sustaining the existing clinics. Of the twenty-four securities arbitration clinics once in operation, sixteen remain. Funding sources must be identified to sustain these clinics and expand this unique investor protection program.

Unless all investors can seek redress when they are harmed by market participants, we cannot fully protect investors or ensure our markets are fair. Securities arbitration clinics ensure that regular retail investors have access to financial justice. In this short period of time, we cannot describe all that we do, and we welcome the opportunity to continue this conversation. We would like to extend an invitation to visit us at Georgia State and learn more if you happen to be in our area. And we look forward to any questions you may have. Thank you.