

## VIA ELECTRONIC MAIL

September 27, 2016

Brent Fields, Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

Re: File No. SR-FINRA-2016-033 Notice of Filing of a Proposed Rule Change Broadening  
Chairperson Eligibility in Arbitration

Dear Secretary Fields:

On September 6, the Securities and Exchange Commission (SEC) published its request for public comment on the Financial Industry Regulatory Authority, Inc.'s (FINRA) proposed recommendations to allow an attorney arbitrator to be eligible for the chairperson roster if he or she completes chairperson training and serves as an arbitrator through award on at least one arbitration administered by a self-regulatory organization in which hearings were held ( Proposal).<sup>1</sup> The Proposal is intended to increase the number of chair-qualified arbitrators.

The Financial Services Institute<sup>2</sup> (FSI) appreciates the opportunity to comment on this important Proposal. FSI supports this effort to improve the efficiency and cost effectiveness of the arbitration process.

### **Background on FSI Members**

The independent financial services community has been an important and active part of the lives of American investors for more than 40 years. In the U.S., there are approximately 167,000 independent financial advisors, which account for approximately 64.5% percent of all producing registered representatives. These financial advisors are self-employed independent contractors, rather than employees of Independent Broker-Dealers (IBD).

FSI member firms provide business support to financial advisors in addition to supervising their business practices and arranging for the execution and clearing of customer transactions. Independent financial advisors are small-business owners who typically have strong ties to their communities and know their clients personally. These financial advisors provide comprehensive and affordable financial services that help millions of individuals, families, small businesses,

---

<sup>1</sup> Financial Industry Regulatory Authority, Inc. (FINRA), Notice of Filing of a Proposed Rule Change Broadening Chairperson Eligibility in Arbitration, 81 Fed. Reg. 61288 (September 6, 2016).

<sup>2</sup> The Financial Services Institute (FSI) is an advocacy association comprised of members from the independent financial services industry, and is the only organization advocating solely on behalf of independent financial advisors and independent financial services firms. Since 2004, through advocacy, education and public awareness, FSI has been working to create a healthier regulatory environment for these members so they can provide affordable, objective financial advice to hard-working Main Street Americans.

associations, organizations and retirement plans with financial education, planning, implementation, and investment monitoring. Due to their unique business model, FSI member firms and their affiliated financial advisors are especially well positioned to provide middle-class Americans with the financial advice, products, and services necessary to achieve their investment goals.

### **Discussion**

FSI appreciates the opportunity to comment on the Proposal. FSI supports the Proposal because it will enhance the fairness of FINRA's arbitration process, as well as contribute to its efficiency and cost effectiveness. FSI members agree that it is important that all arbitration proceedings have chairpersons with a strong depth of knowledge about FINRA rules in addition to experience applying that knowledge to actual disputes. Lawyers, by their training and experience are particularly well qualified to analyze those issues and chair arbitration panels. FSI believes the requirement of a law degree and one arbitration through award is reasonable. While one additional arbitration may not be a substitute for a law degree, we believe there is great value in non-lawyer panelists becoming chairpersons after completing two arbitrations.

### **Conclusion**

We are committed to constructive engagement in the regulatory process and welcome the opportunity to work with FINRA and the SEC on this and other important regulatory efforts

Thank you for considering FSI's comments. Should you have any questions, please contact me at (202) 803-6061.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. T. Bellaire". The signature is fluid and cursive, with a large initial "D" and "T" and a stylized "Bellaire".

David T. Bellaire, Esq.  
Executive Vice President & General Counsel