

# The Neutral Corner

Volume 1 – 2010

## Mission Statement

We publish *The Neutral Corner* to provide arbitrators and mediators with current updates on important rules and procedures within securities dispute resolution. FINRA's dedicated neutrals serve parties and other participants in the FINRA forum by taking advantage of this valuable learning tool.

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## Message to Neutrals

FINRA Dispute Resolution (FINRA) had a busy year in 2009. In addition to the large increase in case filings, we implemented several new rules resulting in additional training for arbitrators. And, in an effort to be more transparent and maintain constituent confidence in our forum, we recently launched a project to verify background information of arbitrators who became active on our roster before October 2003.

FINRA recognizes that new requirements place additional demands on our neutral roster. We appreciate your cooperation in the forum's initiatives and thank you for your continued service. FINRA strives to deliver outstanding dispute resolution services. Such a goal is only possible when talented, dedicated arbitrators and mediators aid in the process.

## Mandatory Arbitrator Background Verification Project

Since October 2003, FINRA has verified certain biographical information provided by individuals who apply to our arbitrator roster. Specifically, FINRA retained a third-party vendor to verify employment history, educational background and professional licenses (or the last degree awarded), and to conduct criminal convictions checks. We implemented these verification procedures on a prospective basis and grandfathered the existing arbitrators on the roster.

To maintain constituent confidence in our arbitration forum, we are verifying background information for all FINRA arbitrators, including individuals who were approved before October 2003. FINRA will absorb the \$80 cost for the vendor to conduct the verification for those arbitrators who were grandfathered in 2003.

On November 6, 2009, FINRA sent letters to all arbitrators on the roster who were approved prior to October 2003, asking them to complete, sign and return the

## Message from the Editor

### *Comments, Feedback and Submissions*

In addition to comments, feedback and questions regarding the material in this publication, we invite you to submit suggestions for articles and topics you would like addressed. We reserve the right to determine which articles to publish.

Please send your comments to:

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You may also email Jisook at  
[Jisook.Lee@finra.org](mailto:Jisook.Lee@finra.org).

### *Message to Neutrals continued*

Consent to Background Verification and Investigation form enclosed with the letter. Arbitrators who do not complete and return the consent form will be made unavailable for future assignments.

In response to the mailing, we have received a number of inquiries about the verification form. The protection of personal information immediately surfaced as a primary concern. FINRA and the vendor routinely handle sensitive documents and information as part of their daily work and have established protocols to maintain the integrity of such information. Once FINRA receives a background verification document, FINRA electronically transfers the data to the vendor using password protected email. In turn, the vendor electronically returns the resulting verification reports to FINRA using password protected fax. To further maintain a secure system, only a limited number of staff within each organization handles the information.

As a FINRA arbitrator, you play a critical role in establishing and maintaining the high level of trust and confidence that parties expect in the marketplace and in the arbitration system. We thank you for your cooperation in this initiative and your ongoing support of our dispute resolution forum.

## Evidentiary Objections in Securities Arbitration

\*By Seth E. Lipner

During the course of an arbitration hearing, it is fairly common for parties to object to some kind of evidence being presented by another party. Parties may make objections to prevent the arbitrators from hearing certain testimony or seeing a document or to preempt cross-examination. This article explores common types of evidentiary objections—their context and the strategy that lies behind them—and how arbitrators should address these objections.

### Common Types of Objections

The three common types of objections are form objections, speaking objections and substance objections. Being able to distinguish the types of objections will help arbitrators conduct efficient and effective hearings.

#### Form Objections

Parties may object to the form—or how a question or evidence is being presented. Form objections occur less often in arbitration than in court because arbitration is a less formal process. Arbitrators also tend to be more sophisticated and experienced than jurors and would probably not be swayed by such testimony.

For example, arbitration lawyers are less likely to object to a leading question—questions that suggest the answer to the person being interrogated, usually resulting in a “yes” or “no” response. They know that arbitrators are not likely to be persuaded by an examination where the lawyer does most of the talking and the witness simply answers “yes” or “no.” The same is true for objections to questions that call for speculation, a witness’s thought process or even hearsay.<sup>1</sup> Unlike a jury, arbitrators do not need to be protected from potential prejudice from this type of questioning.

Some objections to form are necessary in arbitration. For example, a lawyer who is overly aggressive, or disrespectful to a witness, needs to be reminded of his or her duty to behave in a civil and professional manner to all participants. If the arbitrators do not act on their own to stop this behavior, a party may need to make an objection. However, form objections usually do not play a big role in an arbitration hearing.

#### Speaking Objections

A speaking objection occurs when a party makes an objection during cross-examination of his or her witness and follows it with a speech designed to tell the witness how to answer the question. Parties may try to make a speaking objection if they fear that the witness is about to say something during cross-examination that may damage their case. These types of objections can be categorized as preemptive objections.

*Evidentiary Objections in Securities Arbitration continued*

Speaking objections have no place in arbitration. Arbitrators should state clearly to the parties that speaking objections are not permitted and that a simple “objection” to a particular line of question will suffice. If the arbitrators want to hear the witness answer the question, the arbitrators should overrule the objection. If the arbitrators want to know the basis for the objection, they can direct the parties to state succinctly the reason for the objection without providing a speech. In that way, arbitrators can curtail the use of preemptive objections.

**Substance Objections**

Objections that go to substance, usually based on relevancy, are much more common in arbitration than are form or speaking objections. Objections based on substance are not merely about the technical rules of evidence; these objections are designed to prevent arbitrators from hearing or seeing evidence another party wants to present. Arbitrators generally overrule these objections and allow the parties to introduce the evidence in dispute with a caveat that the arbitrators will accept the evidence for “what it’s worth.”

These objections can best be termed as preventive objections. Preventive objections exist in court proceedings primarily because of juries. Like form objections, they are based on the fear of jury prejudice. But objections to substance are also seen in bench trials (cases ruled on solely by a judge), and the rules of evidence do not usually distinguish between the two types of trials. One reason for this is that both jury trials and bench trials are preserved on a stenographic record, because the entire record is reviewable on appeal.

Arbitration is a different forum from court. Arbitration has no appellate review, and FINRA Rule 12604 expressly states that the panel is not required to follow state or federal rules of evidence. The arbitration process works more smoothly when parties are allowed to present their cases, and the arbitrators decide the case based on its merits. Arbitrators are sophisticated enough to distill the pertinent facts and evidence, leaving little room for evidentiary prejudice in arbitration.

**Overruling Substance Objections**

Arbitrators make the “what it’s worth” ruling for several reasons:

1. Overruling an objection promotes arbitration finality. The Federal Arbitration Act provides that a court can vacate an award if an arbitrator improperly excluded relevant evidence. Arbitrators usually err on the side of caution when they overrule objections designed to keep evidence out.
2. Arbitrators are not jurors who need to be shielded from potentially prejudicial or misleading evidence. Arbitrators can discern important information without the need to apply procedural rules designed to protect jurors.
3. Arbitrators have discretion to apply court-developed evidentiary rules but may feel uncomfortable using them. Many arbitrators are not trial lawyers (or even lawyers at all) and may not be experts on rules of evidence.
4. Arbitration is intended to be expeditious. Objections followed by an executive session for deliberations may slow down the process.

By making the “what it’s worth” ruling, arbitrators usually invoke some or all of these reasons. During the course of the arbitration, parties generally understand this rationale and stop making unnecessary objections. Some parties, however, may not understand that arbitrators make this ruling as an unspoken way of invoking these concepts and discouraging objections, and they continue to make objections.

Arbitrators often want to ensure that all parties have a full and fair hearing and therefore are hesitant to limit a party’s presentation in any way. For example, if they see questioning or evidence that is repetitive or off-base, they may sit and listen until one lawyer objects, rather than interrupting the testimony and showing any impatience or displeasure to the parties.

In short, arbitrators may consider advising parties that they do not want to hear excessive objections. Each side should be able to present its case fully, without being interrupted with speaking objections, preventive or preemptive objections; and whichever party presents the more persuasive case should prevail. Arbitrators should keep objections designed to guide witnesses or stifle presentation to a minimum.

## Conclusion

Most objections to evidence are designed to prevent a party from presenting information that it thinks is important. Some objections, like speaking objections, are designed to suggest the answer a witness should give. Arbitrators should discourage these types of objections, give each party a chance to be fully heard and provide an uninterrupted opportunity to cross-examine.

If arbitrators believe that a question is inappropriate or that certain evidence should not be introduced, they can communicate this to the parties without waiting for an objection. Fairness, courtesy and open-mindedness weigh in favor of allowing parties to present their cases. Objections designed to prevent or preempt evidence do not belong in arbitration.

*The views expressed in this article are solely the author’s, and do not necessarily reflect FINRA’s views or policies.*

*\*Seth E. Lipner is Professor of Law at the Zicklin School of Business, Baruch College, CUNY. He is also a member of the firm Deutsch & Lipner, which represents investors in their claims against the financial services industry. Professor Lipner is the author of Securities Arbitration Desk Reference, which was published by Thomson/West Publishing in 2008.*

## Endnote:

- 1 Hearsay is testimony that is given by a witness who relates not what he or she knows personally, but what others have said. That testimony is dependent on the credibility of someone other than the witness.*

## Dispute Resolution News

### Case Filings and Trends

Arbitration case filings in 2009 reflect a 43 percent increase compared to cases filed in 2008 (from 4,982 cases in 2008 to 7,137 cases in 2009). Customer-initiated claims also increased by 43 percent in 2009 from 2008.

In 2009, the most common types of arbitration cases filed (listed in order of decreasing frequency) were: mutual funds, common stock, annuities, options and limited partnerships. Also, there was a large number of cases involving auction rate securities (299 cases in 2008 and 276 cases in 2009), collateralized debt/mortgage obligations (801 cases in 2008 and 607 cases in 2009), preferred stock (115 cases in 2008 and 481 cases in 2009) and corporate bonds (143 cases in 2008 and 373 cases in 2009). The top two causes of action were breach of fiduciary duty and misrepresentation.

Despite the large increase in arbitration case filings, case processing times decreased in 2009. In 2009, the overall processing time from service of the claim to close of the case was 11.5 months (a 12 percent decrease compared to 2008).

### Neutral Workshop

On January 26, 2010, FINRA posted on its Web site a [neutral workshop](#) that was recorded on January 19, 2010. The workshop summarizes FINRA Dispute Resolution's accomplishments for 2009; discusses the interplay between FINRA Dispute Resolution and FINRA's regulatory units; and updates participants on pending legislation concerning securities arbitration.

**Workshop faculty include:** Linda D. Fienberg, president, FINRA Dispute Resolution; George Friedman, executive vice president, FINRA Dispute Resolution; and Richard Berry, vice president and director of Case Administration and Regional Office Services.

**Note:** FINRA's neutral workshops are now available on the Arbitration & Mediation section of [www.finra.org](http://www.finra.org).

### Online Disciplinary Referral Form

For the convenience of those who serve on its neutral roster, FINRA Dispute Resolution has created a new Arbitrator Disciplinary Referral Form that allows neutrals to fill out the form online (rather than print out and hand write) and email the form to FINRA with one click of a button (rather than mail). The new [Arbitrator Disciplinary Referral Form](#) is available on FINRA's Web site.

## Pace Law School's Guide to Securities Industry Disputes

The FINRA Investor Education Foundation (Foundation) provided a grant to the Pace Law School Investor Rights Clinic to produce [\*The Investor's Guide to Securities Industry Disputes\*](#) (Guide) for investors who hope to prevent or may already have a dispute with their securities broker. The Guide takes investors through the arbitration and mediation processes and seeks to assist investors representing themselves by providing a foundation in the basic rules and procedures in arbitration and mediation. The Guide is available on FINRA's [Investor Education Foundation Web site](#).

## Public Arbitrator Pilot Program

### Summary and Progress of the Program

As we reported in previous issues of this newsletter, FINRA launched an innovative Public Arbitrator Pilot Program (pilot or pilot program) for eligible investor claims received on or after October 6, 2008, that gives investors greater choice when selecting an arbitration panel. The pilot program will run for two sequential years. Year one began October 6, 2008, and ended October 5, 2009.

Year two began on October 6, 2009, and will end October 5, 2010. For year two, FINRA expanded the pilot from 11 to 14 broker-dealers, and many of the original participating firms have increased their case commitments, resulting in an increase of eligible cases from 276 to 411, a rise of nearly 50 percent. For the upcoming year, three new firms have agreed

to contribute cases to the pilot program: Chase Investment Services, Oppenheimer & Co. and Raymond James Financial Services/Raymond James & Associates. A list of the participating firms and their respective case commitments can be found in the [Frequently Asked Questions](#) on FINRA's Web site.

Each participating firm has agreed to commit a specific number of cases to the pilot. Cases enter the pilot on a first-come basis at the sole discretion of the claimant, who is typically a retail brokerage customer.

### Pilot Program Statistics

Through December 31, 2009, FINRA notes the following results:

- 54 percent of customers have opted into the pilot. This has resulted in 334 cases (out of 615 eligible cases).
- In 49 percent of the cases in which lists have been returned by the parties through December 31, the customer has struck the entire list of proposed non-public arbitrators. Consequently, the customer has ranked one or more non-public arbitrators 51 percent of the time in the pilot program cases.

*Dispute Resolution News continued***Arbitration Awards**

The first arbitration awards are being issued in cases that proceeded in the pilot program. To make the pilot program results as transparent as possible, and to make it easier to find these awards in FINRA's Arbitration Awards Online database, FINRA has modified its award template to clearly denote pilot program cases. Additionally, the Arbitration Awards Online Web page has been updated to include a Public Arbitrator Pilot Program drop down box to help identify awards rendered under the pilot.

Please review the [Frequently Asked Questions](#) and the most recent [News Release](#) on our Web site for additional information about the Public Arbitrator Pilot Program.

**Evaluating the Effect of the Dispositive Motions Rule**

On February 23, 2009, FINRA implemented a new dispositive motions rule to limit the number of dispositive motions filed in the arbitration forum and to impose strict sanctions against parties who engage in abusive motion practices.<sup>1</sup> FINRA sought to implement the dispositive motions rule after it found a significant number of instances in which respondent firms filed dispositive motions, which could delay hearings, increase investors' costs and intimidate less-sophisticated parties. FINRA also found a number of cases in which the same party filed multiple dispositive motions in the same case.

The rule has greatly reduced the number of dispositive motions filed prior to completion of a claimant's case-in-chief. From February 23 to December 31, 2009, dispositive motions filed in FINRA's forum decreased by 70 percent compared to the same time period in 2008.

**SEC Filings****Criteria for Selecting a Hearing Location**

On October 28, 2009, FINRA filed a proposed rule change (SR-FINRA-2009-073) with the Securities and Exchange Commission (SEC) to amend Rule 12213 of the Code of Arbitration Procedure for Customer Disputes (Customer Code) and Rule 13213 of the Code of Arbitration Procedure for Industry Disputes (Industry Code). The proposed rule change would allow a customer to select an in-state hearing location, even though it is further from the nearest out-of-state hearing location.

Please visit our Web site for more information about [SR-FINRA-2009-073](#).



### Amendments to Postponement Fee Rule and Hearing Session Fee Rule

On November 4, 2009, FINRA filed a proposed rule change (SR-FINRA-2009-075) with the SEC to amend Rules 12601 and 12902 of Customer Code and Rules 13601 and 13902 of the Industry Code. The proposed change to Rules 12601 and 13601 would clarify the applicability of the fee waiver provision of the postponement rule. Specifically, the late postponement fee would not be waived if the parties request a postponement within three business days before the scheduled hearing session. Secondly, the amendment to Rules 12902 and 13902 would codify the hearing session fee of \$450 for an unspecified damages claim heard by one arbitrator.

Please visit our Web site for more information about [SR-FINRA-2009-075](#).

### SEC Approval

#### Clarification of the Date of Filing of an Arbitration Claim

On January 7, 2010, the SEC approved FINRA's proposed rule change (SR-FINRA-2009-072) to amend Rule 12307 of the Customer Code and Rule 13307 of the Industry Code. The rule change clarifies the date of filing of an arbitration claim once a deficiency is corrected. Specifically, the amendment provides that if the deficiency is corrected within 30 days from the time the party receives notice of the deficiency, the claim will be considered filed on the date the initial statement of claim was filed.

Please visit our Web site for more information about [SR-FINRA-2009-072](#).

#### Endnote:

- 1 On December 31, 2008, the SEC approved SR-FINRA-2007-021, a rule change to adopt Customer Code Rule 12504 and Industry Code Rule 13504. In the approval order, the SEC also approved an amendment to Customer Code Rule 12206 and Industry Code Rule 13206 to address motions to dismiss based on FINRA's six-year eligibility rule. The rules became effective on February 23, 2009, and apply to all dispositive motions filed on and after the effective date. See [Regulatory Notice 09-07](#).*

## FINRA's Arbitrator Selection Process

By Suzanne E. Green, Associate Director, FINRA Neutral Management

Arbitrators and parties often ask FINRA to clarify how it selects arbitrators to serve on cases. This article discusses the roles that the parties, the arbitrators and FINRA play in the arbitrator selection process.

### Computerized List Selection

The arbitrator appointment process begins after the parties in a case file all answers or the time to file answers expires. Using the information provided by the parties and entered into FINRA's computer system—Mediation and Arbitration Tracking Retrieval Interactive Case Management System (MATRICS)—the system generates, on a random basis, lists of arbitrators from FINRA's three rosters of arbitrators.

Under the Customer Code,<sup>1</sup> FINRA maintains three rosters of arbitrators: a roster of public arbitrators, a roster of non-public arbitrators and a roster of chairperson arbitrators. Based on the types of claims and parties involved in the case, MATRICS determines the composition of the panel. For example, if a public customer files a claim involving damages of more than \$100,000, unspecified claims or non-monetary claims, the panel would consist of three arbitrators, a majority of which would be public. If the case involves damages of less than \$100,000, the panel would consist of one arbitrator selected from the public chairperson roster.

### Striking and Ranking

FINRA sends the arbitrator lists to the parties to strike and rank the names in order of their preferences, giving them a significant voice in selecting arbitrators to decide their cases. In the first customer case described above, FINRA would provide each represented party with three lists of arbitrators, each containing eight names: a public list, a public chair-qualified list and a non-public list.

Each represented party may strike up to four arbitrators on any one list. Limited strikes ensure a greater likelihood that some arbitrators from the original list will remain after the parties exercise their strikes and FINRA consolidates the parties' lists. Under the Customer Code, the parties have 20 days to strike and rank the arbitrators and return their lists to FINRA.

FINRA sends a copy of each arbitrator's disclosure report to the parties with the list of arbitrator names. In order for parties to make informed decisions during the selection process, they must have the most current information about the arbitrators on their list. Accordingly, arbitrators must update their arbitrator profiles—on an ongoing basis—to reflect new conflicts, disclosures, education, training and background information. Completing the [Arbitrator Information Update Form](#) on our Web site is the fastest way for arbitrators to update their profiles. Arbitrators may also submit their updates [via email](#) or fax the Neutral Management Department at (301) 527-4910.

## Consolidation and Contacting the Arbitrators

At the end of the 20-day selection period, FINRA enters the information from the parties' ranking sheets into MATRICS exactly as they were submitted. MATRICS then consolidates the lists as specified in [Rule 12405](#) of the Customer Code to produce a list of ranked arbitrators.

If the number of arbitrators available to serve from the combined lists is not sufficient to fill an initial panel, FINRA will appoint one or more arbitrators of the required classification to complete the panel from names generated randomly by MATRICS.

FINRA's next step is to contact arbitrators on the consolidated list. FINRA contacts arbitrators in the order in which the parties ranked them, giving them seven days to respond before FINRA attempts to reach the next highest ranked arbitrator. When FINRA communicates with an arbitrator, it provides general case information such as the names of the parties and their attorneys, the securities in dispute and the allegations of the claim to help arbitrators determine whether they can serve on the panel. Before accepting an appointment, arbitrators must consider whether:

- they have any additional disclosures to make;
- the facts allow them to be fair and impartial; and
- they have the time to serve on the case.

Finally, after appointing arbitrators to a case, FINRA sends the parties a notice of the panel's composition, which includes the date and time of the Initial Prehearing Conference. Simultaneously, FINRA sends case packets to the appointed arbitrators and disclosure reports of their co-arbitrators.

## Conclusion

FINRA's arbitrator appointment rules strive to give parties a meaningful voice in selecting arbitrators to hear their cases. Arbitrators also play an important role in the selection process by keeping their disclosure reports current and accurate.

### Endnote:

- 1 This article references the Customer Code (12000 series) only. Please refer to the 13000 series of FINRA's rules for comparable Industry Code references.*

## Question and Answer: Hearing Postponements by Arbitrators

**Question:** Is it appropriate for an arbitrator to adjourn a hearing because of a personal scheduling conflict?

**Answer:** No. Unless there is a genuine emergency, arbitrators must avoid causing a postponement of the hearing arising from a personal conflict. Providing expeditious resolution of disputes in a cost effective manner is a cornerstone of FINRA's arbitration process. When arbitrators delay the arbitration, not only do they deny the parties the right to an expedient resolution of their dispute, they also cause the parties to incur additional costs and expenses.

What steps can you take to avoid a scheduling conflict?

- Have your business and personal calendars available at the Initial Prehearing Conference (IPHC) when the hearing dates are initially scheduled.
- Know your availability for six – nine months after the IPHC, and try to set aside several sets of consecutive dates for the hearing. Remember that arbitration is intended to be an expeditious process, and that hearings on the merits should be scheduled within nine months or less after the IPHC.
- Immediately record the designated hearing dates in your business and personal calendars.

What should you do if a non-emergency conflict arises after the hearing dates are scheduled? FINRA does not consider non-emergency conflicts to be valid reasons for cancelling a previously scheduled hearing; and non-emergency cancellations may result in removal from FINRA's roster. However, if such a conflict is unavoidable, please adhere to the following recommendations:

- If a conflict arises, immediately inform FINRA so that the parties can be notified; the parties may consent to reschedule the hearing dates.
- If possible, consider delegating the conflicting event to a colleague, allowing you to attend the hearing and meet your obligations to the parties and your co-arbitrators.
- Consider withdrawing. To prevent the delay of the hearing dates, consider withdrawing so that a replacement arbitrator can be appointed and the hearing dates can be preserved.

Remember that you play a key role in providing expeditious resolution of disputes in a cost effective manner. Please consider the significance of your role, and the importance of the case to the involved parties, before requesting a hearing postponement.

## Mediation and Business Strategies Update

### New Mediator Fees in Effect

As of September 1, 2009, FINRA instituted a new \$200 annual membership fee for mediators and changed the way it deducts fees for mediation cases. FINRA designed the changes to keep the program competitive by simplifying the fees while still helping to support the services the program provides. The annual membership fee will be due each year on September 1 for all mediators who wish to remain on FINRA's roster.

On December 1, 2009, the status of mediators who did not pay the \$200 annual fee was changed to "unavailable." If you were previously on FINRA's mediator roster, and you missed the deadline for submitting the new annual fee of \$200, you can still rejoin the roster without reapplying. Mediators who wish to rejoin the roster may submit their annual fee on our [Web site](#).

## National Update

It is with great regret that FINRA Dispute Resolution announces that Rose Schindler has decided to resign effective January 31, 2010 after 13 years of service. We greatly appreciate all of her efforts during those 13 years, as Regional Director of the Southeast Region, on behalf of FINRA Dispute Resolution and its constituents. We wish her all the best in her future endeavors.

Scott Carfello will serve as the acting Regional Director for the Southeast Region.

## Arbitrator Training

FINRA now provides the option to complete the second part of its required Basic Arbitrator Training Program by WebEx.

Over the next three months, FINRA will conduct the following WebEx training sessions. (All training start times are **Eastern Time**.)

<b>February 18, 2010</b>	1:00 p.m. – 5:00 p.m.
<b>February 25, 2010</b>	9:30 p.m. – 1:30 p.m.
<b>March 9, 2010</b>	9:30 p.m. – 1:30 p.m.
<b>March 16, 2010</b>	1:00 p.m. – 5:00 p.m. (MAC Users Only)
<b>March 22, 2010</b>	1:00 p.m. – 5:00 p.m.
<b>April 5, 2010</b>	1:00 p.m. – 5:00 p.m.
<b>April 22, 2010</b>	1:00 p.m. – 5:00 p.m.

Please send an email to [ArbitratorTraining@finra.org](mailto:ArbitratorTraining@finra.org) to register for a live video training.

FINRA continues to conduct in-person training sessions in each regional office—Boca Raton, Chicago, Los Angeles and New York City—for arbitrators who prefer this method of training.

Over the next three months, FINRA will conduct the following in-person training sessions.

- February 9, 2010 – Los Angeles, CA

If you are interested in attending this in-person training, please contact [Hannah.Yoo@finra.org](mailto:Hannah.Yoo@finra.org) or (213) 229-2362.

- March 24, 2010 – New York, NY

If you are interested in attending this in-person training program, please contact [Cicely.Moise@finra.org](mailto:Cicely.Moise@finra.org) or (212) 858-3963.

- \* April 14, 2010 - Chicago, IL

If you are interested in attending this in-person training program, please contact [Deborah.Woods@finra.org](mailto:Deborah.Woods@finra.org) or (312) 899-4431.

## Arbitrator Tip: Arbitrator Reimbursement Guidelines

By Jesse J. Terry, Accounting Associate, FINRA Finance

As a reminder, arbitrators should review the Guidelines for Arbitrator Reimbursement (Guidelines) to comply with FINRA's expense reporting procedures. We recommend that you review the Guidelines each time you are assigned to a new case, as policies may have changed. Not only will strict adherence to the Guidelines facilitate prompt payment but, in doing so, you will do your part in helping FINRA comply with its obligations under the Sarbanes-Oxley Act.

In this article, we highlight a few sections of the Guidelines, but we strongly encourage you to review the entire Guidelines document to become familiar with your expense reporting responsibilities:

- Arbitrators must submit all expense reports within 30 calendar days of the date that the expense was incurred.
- For expenses incurred in 2010, the mileage rate is \$.50 cents per mile (per IRS Regulation).
- Expense reports must include original receipts for ALL expenditures. Expenditures include, but are not limited to: hotels, meals, tolls, parking, taxi services, public transportation, telephone and fax. If you use an electronic auto-pay toll service, a printout from your account can be submitted as a receipt.
- Hotel receipts must show a \$0 balance.
- Meal allowances are calculated at a daily rate, not per meal rate. Please refer to the Guidelines for further guidance.

- Expense reports must include arbitrators' identification numbers, arbitration case names and arbitration case numbers.
- Alcoholic beverages are not reimbursable.

For faster, more convenient reimbursement of your expenses and honorarium, you may register for direct deposit into your checking account. Please visit our [Web site](#) or contact your case administrator for an enrollment form and registration instructions. We value your service as an arbitrator and appreciate your cooperation in complying with FINRA's expense reporting procedures.

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