

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 43	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2020 - * 030 Amendment No. (req. for Amendments *) 1
----------------	--	--

Filing by Financial Industry Regulatory Authority
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input type="checkbox"/>	Amendment * <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)		

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
--	--

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Mignon Last Name * McLemore

Title * Assistant General Counsel, Regulatory

E-mail * Mignon.McLemore@finra.org

Telephone * (202) 728-8264 Fax (202) 728-8264

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 12/18/2020 Vice President & Associate General Counsel

By Victoria Crane

(Name *)

Victoria Crane, Victoria.Crane@finra.org

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information *

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

Add Remove View

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

On September 22, 2020, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change, SR-FINRA-2020-030, that would amend the Code of Arbitration Procedure for Customer Disputes (“Customer Code”) and the Code of Arbitration Procedure for Industry Disputes (“Industry Code”) (together, “Codes”) to modify the current process relating to the expungement of customer dispute information, including creating a special arbitrator roster to decide certain expungement requests (“proposal”). Specifically, the proposal would amend the Codes to: (1) impose requirements on expungement requests (a) filed during an investment-related, customer initiated arbitration (“customer arbitration”) by an associated person, or by a party to the customer arbitration on-behalf-of an associated person, or (b) filed by an associated person separate from a customer arbitration (“straight-in request”); (2) establish a roster of arbitrators with enhanced training and experience from which a three-person panel would be randomly selected to decide straight-in requests; (3) establish procedural requirements for expungement hearings; and (4) codify and update the best practices of the Notice to Arbitrators and Parties on Expanded Expungement Guidance that arbitrators and parties must follow. In addition, the proposal would amend the Customer Code to specify procedures for requesting expungement of customer dispute information arising from simplified arbitrations. The proposal would also amend the Codes to establish requirements for notifying state securities regulators and customers of expungement requests.

The Commission published the proposal for public comment in the Federal Register on October 1, 2020.¹ The Commission received eight comments in response to the proposal.² Five of the commenters expressed general support for the proposal,

¹ See Securities Exchange Act Release No. 90000 (September 25, 2020), 85 FR 62142 (October 1, 2020) (Notice of Filing of File No. SR-FINRA-2020-030).

² See Letter from Steven B. Caruso, Maddox Hargett & Caruso, P.C., to Vanessa Countryman, Secretary, SEC, dated September 28, 2020 (“Caruso”); letter from Dochtor D. Kennedy, President & Founder, AdvisorLaw, LLC, to J. Matthew DeLesDernier, Assistant Secretary, SEC, dated October 22, 2020 (“AdvisorLaw”); letter from Benjamin P. Edwards, Associate Professor of Law, University of Nevada, Las Vegas, William S. Boyd School of Law, to J. Matthew DeLesDernier, Assistant Secretary, SEC, dated October 12, 2020 (“Edwards”); letter from Lisa Hopkins, President, North American Securities Administrators Association, Inc., to Vanessa Countryman, Secretary, SEC, dated October 22, 2020 (“NASAA”); letter from Amanda Skrelja, Paige Guarino, William Lapadula, and Zachary Dukoff, Legal Interns & Elissa Germaine, Supervising Attorney, John Jay Legal Services, Inc., Elizabeth Haub School of Law, PACE University, to J. Matthew DeLesDernier, Assistant Secretary, SEC, dated October 22, 2020 (“PACE”); letter from Kevin M. Carroll, Managing Director and Associate General Counsel, SIFMA, to Vanessa A. Countryman, Secretary, SEC, dated October 22, 2020 (“SIFMA”); letter from Ruben Huertero, Legal Intern & Christine Lazaro, Director of the Securities Arbitration Clinic and Professor of Clinical Legal Education, St. John’s University School of Law, to Vanessa

but also suggested modifications to the proposal.³ PIABA stated that the proposal was “largely a step in the right direction” but did not go far enough. AdvisorLaw and Edwards opposed the proposal.

FINRA is submitting by separate letter its response to comments on the proposal contemporaneously with this Partial Amendment No. 1.

As discussed in FINRA’s response to comments, FINRA has determined to make the following amendments to the proposal to further encourage and facilitate customer participation in straight-in requests. In the proposal, proposed Rule 13805(b)(1), which addresses notifications to customers, states, in relevant part, that before the first scheduled hearing session is held, the associated person shall provide all customers whose investment-related, customer-initiated arbitrations, civil litigations, and customer complaints gave rise to customer dispute information that is a subject of the expungement request with notice of the expungement request by serving on the customers a copy of the statement of claim requesting expungement, unless the panel determines that extraordinary circumstances make such service impracticable.

FINRA believes that a customer should receive notice of the expungement request as soon as practicable and that customers would benefit from a copy of the answer in addition to the statement of claim. Accordingly, with this Partial Amendment No. 1, FINRA is proposing to amend proposed Rule 13805(b)(1) to require that the associated person serve the customers with the statement of claim within 10 days of filing the statement of claim with FINRA and any answer within 10 days of the filing each answer with FINRA.

The proposal also provides that the Director shall notify all customers whose investment-related, customer-initiated arbitrations, civil litigations, and customer complaints gave rise to customer dispute information that is a subject of the expungement request of the time, date and place of the expungement hearing. As explained in the response to comments, FINRA believes that customers should be provided with information that would also enable them to participate in prehearing conferences related to straight-in requests. Thus, with this Partial Amendment No. 1, FINRA is proposing to amend proposed Rule 13805(b)(2) to provide that the Director shall notify these customers of the time, date and place of any prehearing conferences using the customers’ current address provided by the party seeking expungement.

With this Partial Amendment No. 1, FINRA is also proposing to amend proposed Rule 13805(c)(3)(A) to clarify that the customers are entitled to appear at the prehearing conferences and expungement hearing. In addition, with this Partial Amendment No. 1, FINRA is proposing to amend proposed Rule 13805(c)(4) to clarify that all parties from investment-related, customer-initiated arbitrations or civil

Countryman, Esq., Secretary, SEC, dated October 22, 2020 (“St. John’s”); and letter from David P. Meyer, President, Public Investors Advocate Bar Association, to Brent J. Fields, Secretary, SEC, dated October 23, 2020 (“PIABA”).

³ See Caruso, PACE, SIFMA, St. John’s and NASAA.

litigations, and customers whose customer complaints gave rise to the customer dispute information that is a subject of the expungement request shall have the right to be represented at the prehearing conferences and expungement hearing.

With this Partial Amendment No. 1, FINRA is including Exhibit 4, which reflects changes to the text of the proposal pursuant to this Partial Amendment No. 1, marked to show the changes to the text as proposed in the original filing, and Exhibit 5, which reflects all proposed changes to the current rule text, as amended by this Partial Amendment No. 1.

EXHIBIT 4

Exhibit 4 shows the changes proposed in this Amendment No. 1, with the proposed changes in the original filing shown as if adopted. Proposed additions in this Amendment No. 1 appear underlined; proposed deletions appear in brackets.

* * * * *

**PART VIII SIMPLIFIED ARBITRATION; DEFAULT PROCEEDINGS;
STATUTORY EMPLOYMENT DISCRIMINATION CLAIMS; INJUNCTIVE
RELIEF; EXPUNGEMENT PROCEEDINGS; AND PROMISSORY NOTE
PROCEEDINGS**

* * * * *

13805. Expungement of Customer Dispute Information under Rule 2080

This Rule applies to all expungement requests of customer dispute information under Rule 2080. Except as otherwise provided in this Rule, all provisions of the Code apply to such expungement requests.

(a) Filing an Expungement Request against a Member Firm

(1) Applicability

An associated person may request expungement of customer dispute information by filing a statement of claim under Rule 13302 against a member firm at which he or she was associated at the time the customer dispute arose, unless barred by Rule 13805(a)(2).

(2) Limitations

(A) An associated person shall not file a claim requesting expungement of customer dispute information against the member firm at which he or she was associated at the time the customer dispute arose if:

(i) an arbitrator or panel held a hearing to consider the merits of the associated person's request for expungement of the same customer dispute information;

(ii) a court of competent jurisdiction previously denied the associated person's request to expunge the same customer dispute information;

(iii) the investment-related, customer-initiated arbitration, civil litigation or customer complaint that gave rise to the customer dispute information is not closed;

(iv) more than two years have elapsed since the investment-related, customer-initiated arbitration or civil litigation that gave rise to the customer dispute information has closed; or

(v) there was no investment-related, customer-initiated arbitration or civil litigation that gave rise to the customer dispute information, and more than six years have elapsed since the date that the customer complaint was initially reported to the CRD system.

(B) Subject to the six-year eligibility requirement of Rule 13206(a), an associated person is not barred from requesting expungement of customer dispute information pursuant to Rule 13805(a)(2) if:

(i) the request for expungement is made pursuant to Rule 13805 within two years of [insert the effective date of the proposed rule change], and the disclosure sought to be expunged arises from

an investment-related, customer-initiated arbitration or civil litigation that closed on or prior to [insert the effective date of the proposed rule change]; or,

(ii) the request for expungement is made pursuant to Rule 13805 within six years of [insert the effective date of the proposed rule change], and the disclosure sought to be expunged arises from a customer complaint initially reported to the CRD system on or prior to [insert the effective date of the proposed rule change].

(3) Expungement Request

The expungement request must be filed with the Director, pursuant to Rule 13302, and include:

(A) the applicable filing fee;

(B) the CRD number of the party requesting expungement;

(C) each CRD occurrence number that is the subject of the request;

(D) the case name and docket number that gave rise to the customer dispute information, if applicable; and

(E) an explanation of whether expungement of the same customer dispute information was (i) previously requested and, if so (ii) how it was decided.

(4) Panel Decides Expungement Request

A three-person panel selected pursuant to Rule 13806 must hold an expungement hearing, pursuant to Rule 13805(c), to consider and decide the

expungement request. At the conclusion of the expungement hearing, the panel must issue an award in accordance with Rule 13805(c)(8). If the associated person withdraws or does not pursue the expungement request, the panel shall deny the expungement request with prejudice.

(b) Notifications

(1) [Before the first scheduled hearing session is held, t]The associated person shall:

(A) Provide all customers whose investment-related, customer-initiated arbitrations, civil litigations, and customer complaints gave rise to customer dispute information that is a subject of the expungement request with notice of the expungement request by serving on the customers a copy of the statement of claim requesting expungement and any answer, unless the panel determines that extraordinary circumstances make such service impracticable;

(B) Serve the customers with the statement of claim within 10 days of filing the statement of claim with FINRA and any answer within 10 days of the filing each answer with FINRA.

[(B)](C) Serve the customers by first-class mail, overnight mail service, overnight delivery service, or hand delivery; and

[(C)](D) File with the panel all documents provided by the associated person to the customers, including proof of service, and any responses received by the associated person from the customers.

(2) The Director shall notify all customers whose investment-related, customer-initiated arbitrations, civil litigations, and customer complaints gave rise to the customer dispute information that is a subject of the expungement request of the time, date and place of any prehearing conferences and the expungement hearing using the customers' current address provided by the party seeking expungement.

(3) FINRA shall notify state securities regulators, in the manner determined by FINRA, of an expungement request within 30 days of receiving a complete expungement request filed pursuant to Rule 13805(a)(3).

(c) Expungement Hearing

In order to recommend expungement of customer dispute information, the panel must comply with the following requirements.

(1) Recorded Hearing Sessions

The panel must hold one or more recorded hearing sessions by telephone, in person, or by video conference regarding the expungement request.

(2) Associated Person's Appearance

The associated person who seeks to have customer dispute information expunged from his or her Form U4, Form U5, or Form U6 must personally appear at the expungement hearing. The panel shall decide the method of appearance.

(3) Customer's Appearance

(A) Entitled to Appear

All customers whose investment-related, customer-initiated arbitrations, civil litigations, and customer complaints gave rise to the

customer dispute information that is a subject of the expungement request are entitled to appear at the prehearing conferences and expungement hearing. The customer may provide his or her position on the expungement request in writing.

(B) Method of Appearance

All customers whose investment-related, customer-initiated arbitrations, civil litigations, and customer complaints gave rise to the customer dispute information that is a subject of the expungement request may appear at the expungement hearing by telephone, in person, or by video conference.

(4) Representation of Parties

All parties from investment-related, customer-initiated arbitrations or civil litigations, and customers whose customer complaints gave rise to the customer dispute information that is a subject of the expungement request shall have the right to be represented at the prehearing conferences and expungement hearing pursuant to Rule 13208.

(5) Customer and Customer's Representative Participation during the Expungement Hearing

(A) Customer's Testimony

The panel must allow the customer to testify at the expungement hearing and be questioned by the customer's representative. If a customer

testifies during the expungement hearing, the associated person requesting expungement may cross-examine the customer.

(B) Customer Introduces Evidence

If the customer or customer's representative introduces evidence during the expungement hearing, the associated person requesting expungement may state objections to the introduction of any evidence at the expungement hearing pursuant to the Code. The panel shall decide all objections.

(C) Associated Person's or Others' Testimony

The panel must allow the customer or the customer's representative to cross-examine the associated person requesting expungement and any witnesses called by the associated person during the expungement hearing.

(D) Opening and Closing Arguments by Customer or Customer's Representative

The panel must allow the customer or the customer's representative to present opening and closing arguments if the panel allows any party to present such arguments.

(6) Panel Requests Additional Documents or Evidence

The panel may request from the associated person requesting expungement, and from the member firm at which he or she was associated at the time the customer dispute arose, any documentary, testimonial or other evidence that it deems relevant to the expungement request.

(7) Review Settlement Documents

The panel must review the settlement documents and consider the amount of payments made to any party and any other terms and conditions of the settlement. In addition, the panel should inquire and fully consider whether a party conditioned a settlement of the arbitration upon agreement not to oppose the request for expungement in cases in which the customer does not participate in the expungement hearing or the requesting party states that a customer has indicated that he or she will not oppose the expungement request.

(8) Award

The panel must indicate in the arbitration award which of the Rule 2080(b)(1) grounds for expungement serve as the basis for its expungement recommendation. The panel must also provide a written explanation of the reason(s) for its finding that one or more Rule 2080(b)(1) grounds for expungement apply to the facts of the request, and identify any specific documentary, testimonial or other evidence on which the panel relied in recommending expungement.

(9) Forum Fees

The panel must assess all forum fees for hearing sessions in which the sole topic is the determination of the appropriateness of expungement against the party or parties requesting expungement.

* * * * *

EXHIBIT 5

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

12000. CODE OF ARBITRATION PROCEDURE FOR CUSTOMER DISPUTES

* * * * *

12100. Definitions

Unless otherwise defined in the Code, terms used in the Code and interpretive material, if defined in the FINRA By-Laws, shall have the meaning as defined in the FINRA By-Laws.

(a) through (ee) No Change.

(ff) Unnamed Person

For purposes of Rules 12800 and 12805, the term “unnamed person” means an associated person, including a formerly associated person, who is identified in a Form U4, Form U5, or Form U6, as having been the subject of an investment-related, customer-initiated arbitration claim that alleged that the associated person or formerly associated person was involved in one or more sales practice violations, but who is not named as a respondent in the arbitration claim.

* * * * *

12203. Denial of FINRA Forum

(a) No Change.

(b) The Director shall decline the use of the FINRA arbitration forum if the Director determines that the expungement request is ineligible for arbitration under Rule 12805.

[(b)](c) Disputes that arise out of transactions in a readily identifiable market may be referred to the arbitration forum for that market, if the claimant agrees.

* * * * *

12307. Deficient Claims

(a) The Director will not serve any claim that is deficient. The reasons a claim may be deficient include the following:

(1) through (5) No Change.

(6) The claimant did not pay all required filing fees, unless the Director deferred the fees; [or]

(7) The claim does not comply with the restrictions on filings with personal confidential information under Rule 12300(d)(1);

(8) A request to expunge information from the CRD system arising from a customer dispute does not include the CRD number of the party requesting expungement;

(9) A request to expunge information from the CRD system arising from a customer dispute does not include the CRD occurrence number that is the subject of the request;

(10) A request to expunge information from the CRD system arising from a customer dispute does not include the case name and docket number of the arbitration that gave rise to the customer dispute information, if applicable; or

(11) A request to expunge information from the CRD system arising from a customer dispute does not include an explanation of whether expungement of the same customer dispute information was (i) previously requested and, if so (ii) how it was decided.

(b) through (c) No Change.

* * * * *

**PART VIII SIMPLIFIED ARBITRATION, [AND] DEFAULT, AND
EXPUNGEMENT PROCEEDINGS**

* * * * *

12800. Simplified Arbitration

(a) through (c) No Change.

(d) Requests to Expunge Customer Dispute Information

(1) When an Associated Person is Named as a Respondent

(A) An associated person named as a respondent in a simplified investment-related, customer-initiated arbitration may request expungement during the arbitration of that customer dispute information arising from the customer's statement of claim, provided the request is not barred pursuant to Rule 12805(a)(1)(B).

(B) If an associated person named as a respondent requests expungement during the simplified investment-related, customer-initiated arbitration:

(i) the request must be filed in the answer or a pleading requesting expungement and meet the requirements of Rule

12805(a)(1)(C)(ii). If the associated person requests expungement in a pleading other than an answer, the request must be filed within 30 days after the date FINRA notifies the associated person of the appointment of the arbitrator or panel; and

(ii) the arbitrator or panel from the arbitration shall consider and decide the expungement request.

(C) If the associated person named as a respondent withdraws or does not pursue an expungement request after filing the request during the simplified investment-related, customer-initiated arbitration, the arbitrator or panel shall deny the expungement request with prejudice.

(2) On Behalf of an Unnamed Person

(A) A party to a simplified investment-related, customer-initiated arbitration may request expungement on behalf of an unnamed person during the arbitration of the customer dispute information arising from the customer's statement of claim with the written consent of the unnamed person, provided the request is not barred pursuant to Rule 12805(a)(1)(B).

(B) If a party requests expungement on behalf of an unnamed person during a simplified investment-related, customer-initiated arbitration:

(i) the request must be filed: (a) in compliance with Rules 12805(a)(1)(C)(ii), 12805(a)(2)(C)(ii), and 12805(a)(2)(D); and (b)

within 30 days after the date FINRA notifies the party of the appointment of the arbitrator or panel; and

(ii) the arbitrator or panel from the simplified arbitration shall consider and decide the expungement request.

(C) If the party, with the written consent of the unnamed person, withdraws or does not pursue an expungement request after filing the request during a simplified investment-related, customer-initiated arbitration, the arbitrator or panel shall deny the expungement request with prejudice.

(e) Deciding Expungement Requests

(1) If an associated person named as a respondent, or a party on behalf of an unnamed person, requests expungement during a simplified investment-related, customer-initiated arbitration, the expungement request shall be decided by the arbitrator or panel from the arbitration, as follows:

(A) No Hearing or Option Two Special Proceeding – If a customer requests no hearing pursuant to Rule 12800(c)(2), or an Option Two special proceeding pursuant to Rule 12800(c)(3)(B), the arbitrator or panel shall hold a separate expungement hearing pursuant to Rule 12805(c) to consider and decide the expungement request and issue the decision on the expungement request in a separate, subsequent award in accordance with Rule 12805(c)(8).

(B) Option One Hearing – If a customer requests an Option One hearing pursuant to Rule 12800(c)(3)(A), the arbitrator or panel shall consider and decide the expungement request, as follows:

(i) If the simplified arbitration closes by award after a hearing, the arbitrator or panel shall consider and decide the expungement request during the hearing pursuant to Rule 12805(c) and issue the decision on the request in the award in accordance with Rule 12805(c)(8).

(ii) If the arbitration closes other than by award or by award without a hearing, the arbitrator or panel shall hold a separate expungement hearing, pursuant to Rule 12805(c), to consider and decide the expungement request. At the conclusion of the expungement hearing, the arbitrator or panel shall issue an award in accordance with Rule 12805(c)(8).

(2) If an associated person named as a respondent, or a party on behalf of an unnamed person, does not request expungement of the customer dispute information arising from the customer's statement of claim during the simplified investment-related, customer-initiated arbitration, the associated person may request expungement pursuant to Rule 13805 after the simplified arbitration has closed, provided that the request is not barred by Rule 13805(a)(2).

(f) FINRA Notifications

(1) FINRA shall notify state securities regulators, in the manner determined by FINRA, of an expungement request within 30 days of receiving a complete expungement request.

(2) The Director shall notify all customers from the simplified customer arbitration of an expungement hearing conducted pursuant to Rules 12800(e)(1)(A), 12800(e)(1)(B)(ii) or 13805.

[(d)](g) Discovery and Additional Evidence

No Change.

[(e)](h) Increases in Amount in Dispute

No Change.

[(f)](i) Arbitrator Honoraria

No Change.

* * * * *

12805. Expungement of Customer Dispute Information under Rule 2080

This Rule applies to all requests for expungement of customer dispute information under Rule 2080, except that when a party requests expungement of customer dispute information during a simplified arbitration pursuant to Rule 12800(d), only those sections of this Rule that are specifically referenced in Rule 12800(d) through (f) shall apply. Except as otherwise provided in this Rule, all other provisions of the Code apply to such expungement requests.

(a) Requesting Expungement Under the Customer Code

(1) Requesting Expungement When Named as a Respondent

(A) Applicability

An associated person named as a respondent in an investment-related, customer-initiated arbitration may request expungement during the arbitration of that customer dispute information arising from the customer's statement of claim, unless barred by Rule 12805(a)(1)(B). If the associated person does not request expungement in the arbitration, the associated person shall be prohibited from seeking to expunge the customer dispute information arising from the customer's statement of claim in any subsequent proceeding.

(B) Limitations

An associated person shall not file a request for expungement of customer dispute information if:

(i) an arbitrator or panel held a hearing to consider the merits of the associated person's request for expungement of the same customer dispute information; or

(ii) a court of competent jurisdiction previously denied the associated person's request to expunge the same customer dispute information.

(C) Expungement Request

(i) An associated person must include the expungement request in the answer or a pleading requesting expungement. If the

associated person requests expungement in a pleading other than an answer, the request must be filed no later than 30 days before the first scheduled hearing; otherwise, pursuant to Rule 12309(b), the associated person must file a motion pursuant to Rule 12503, seeking an extension to file the expungement request.

(ii) The expungement request must include:

a. the applicable filing fee;

b. the CRD number of the party requesting expungement;

c. each CRD occurrence number that is the subject of the request;

d. the case name and docket number that gave rise to the customer dispute information, if applicable; and

e. an explanation of whether expungement of the same customer dispute information was (i) previously requested and, if so (ii) how it was decided.

(D) Arbitrator or Panel Decides Expungement Request

(i) During Investment-Related, Customer-Initiated Arbitration

If an associated person requests expungement pursuant to Rule 12805(a)(1)(C) and the investment-related, customer-initiated arbitration claim closes by award after a hearing, the arbitrator or panel shall consider and decide the expungement request during

the arbitration and issue its decision on the expungement request in the award, in accordance with Rule 12805(c)(8). If the associated person withdraws or does not pursue the expungement request, the arbitrator or panel shall deny the expungement request with prejudice.

(ii) Investment-Related, Customer-Initiated Arbitration Closes Other Than by Award or By Award Without a Hearing

If an associated person requests expungement pursuant to Rule 12805(a)(1)(C) and the investment-related, customer-initiated arbitration closes other than by award or by award without a hearing:

a. the arbitrator or panel shall not consider the associated person's request for expungement of customer dispute information;

b. the associated person may file a request for expungement of the customer dispute information as a new claim under Rule 13805(a) against the member firm at which he or she was associated at the time the customer dispute arose, provided the expungement request is not barred pursuant to Rule 13805(a)(2); and

c. the associated person shall not file a request for expungement of the customer dispute information as a new claim against a customer.

(2) Requesting Expungement on Behalf of an Unnamed Person

(A) Applicability

A party to an investment-related, customer-initiated arbitration may request expungement of the customer dispute information arising from the customer's statement of claim on behalf of an unnamed person only with the written consent of the unnamed person.

(B) Limitations

A party to an investment-related, customer-initiated arbitration shall not request expungement on behalf of an unnamed person if the request is barred pursuant to Rule 12805(a)(1)(B).

(C) Expungement Request

(i) A party requesting expungement on behalf of an unnamed person must file the request with the Director in accordance with Rule 12805(a)(1)(C)(ii).

(ii) The request must include the Form Requesting Expungement on Behalf of an Unnamed Person, signed by the party filing the request and the unnamed person who seeks to have customer dispute information expunged from his or her Form U4, Form U5, or Form U6.

(iii) The request must be served on all parties as soon as practicable, but no later than 30 days before the first scheduled hearing; otherwise, pursuant to Rule 12309(b), the requesting party

must file a motion pursuant to Rule 12503, seeking an extension to file the expungement request.

(D) Form Requesting Expungement on Behalf of an Unnamed Person

(i) By signing the Form Requesting Expungement on Behalf of an Unnamed Person, the unnamed person agrees that he or she shall be bound by the arbitrator's or panel's decision on the expungement request.

(ii) By signing the Form Requesting Expungement on Behalf of an Unnamed Person, the unnamed person agrees to maintain the confidentiality of any documents and information from the investment-related, customer-initiated arbitration to which the unnamed person is given access and to adhere to any confidentiality agreements or orders associated with the customer-initiated arbitration.

(iii) By filing and serving an expungement request, the requesting party agrees to represent the unnamed person for the purpose of requesting expungement during the investment-related, customer-initiated arbitration.

(E) Deciding Expungement Request

(i) Investment-Related, Customer-Initiated Arbitration

Closes by Award After a Hearing

If the investment-related, customer-initiated arbitration claim closes by award after a hearing, the arbitrator or panel shall consider and decide the expungement request during the investment-related, customer-initiated arbitration and issue its decision on the expungement request in the award, in accordance with Rule 12805(c)(8). If the requesting party, with the written consent of the unnamed person, withdraws or does not pursue the expungement request, the arbitrator or panel shall deny the expungement request with prejudice.

(ii) Investment-Related, Customer-Initiated Arbitration

Closes Other than by Award or by Award Without a Hearing

If the investment-related, customer-initiated arbitration closes other than by award or by award without a hearing:

a. the arbitrator or panel shall not consider the party's request for expungement of customer dispute information on behalf of the unnamed person;

b. the unnamed person may file a request for expungement of the customer dispute information as a new claim under Rule 13805(a) against the member firm at which he or she was associated at the time the customer

dispute arose, provided the filing of the request is not barred pursuant to Rule 13805(a)(2); and

c. the unnamed person shall not file a request for expungement of the customer dispute information as a new claim against a customer.

(iii) Unnamed Person May Not Intervene in the Investment-Related, Customer-Initiated Arbitration

a. If a party to the investment-related, customer-initiated arbitration does not request expungement on behalf of the unnamed person, the unnamed person shall not file a motion to intervene in the investment-related, customer-initiated arbitration and request expungement of customer dispute information arising from the customer's statement of claim.

b. The unnamed person may file a request for expungement of the customer dispute information as a new claim under Rule 13805(a) against the member firm at which he or she was associated at the time the customer dispute arose, provided the filing of the request is not barred pursuant to Rule 13805(a)(2).

(b) FINRA Notifications

FINRA shall notify state securities regulators, in the manner determined by FINRA, of an expungement request within 30 days of receiving a complete expungement request.

(c) Expungement Hearing

In order to [grant]recommend expungement of customer dispute information [under Rule 2080], the arbitrator or panel must comply with the following requirements[:].

(1) Recorded Hearing Sessions

[(a)] The arbitrator or panel must [H]hold one or more [a]recorded hearing sessions [(by telephone, [or]in person)], or by video conference regarding the [appropriateness of]expungement request. [This paragraph will apply to cases administered under Rule 12800 even if a customer did not request a hearing on the merits.]

(2) Associated Person's Appearance

The associated person whose Form U4, Form U5, or Form U6 would be expunged of customer dispute information must personally appear at the expungement hearing. A party requesting expungement on behalf of an unnamed person must also appear at the expungement hearing. The panel shall decide the method of appearance.

(3) Customer's Appearance

(A) Entitled to Appear

All customers whose investment-related, customer-initiated arbitrations, civil litigations, and customer complaints gave rise to the customer dispute information that is a subject of the expungement request are entitled to appear at the expungement hearing. The customer may provide his or her position on the expungement request in writing.

(B) Method of Appearance

All customers whose investment-related, customer-initiated arbitrations, civil litigations, and customer complaints gave rise to the customer dispute information that is a subject of the expungement request may appear at the expungement hearing by telephone, in person, or by video conference.

(4) Representation of Parties

All parties from the investment-related, customer-initiated arbitrations or civil litigations, and customers whose customer complaints gave rise to the customer dispute information that is the subject of the expungement request shall have the right to be represented at the expungement hearing pursuant to Rule 12208.

(5) Customer and Customer's Representative Participation during the Expungement Hearing

(A) Customer's Testimony

The arbitrator or panel must allow the customer to testify at the expungement hearing and be questioned by the customer's representative. If a customer testifies during the expungement hearing, the associated person or party requesting expungement on behalf of an unnamed person may cross-examine the customer.

(B) Customer Introduces Evidence

If the customer or customer's representative introduces evidence during the expungement hearing, the associated person or party requesting expungement on behalf of an unnamed person may state objections to the introduction of any evidence at the expungement hearing pursuant to the Code. The arbitrator or panel shall decide all objections.

(C) Associated Person's or Others' Testimony

The arbitrator or panel must allow the customer or the customer's representative to cross-examine the associated person, the party requesting expungement on behalf of an unnamed person and any witnesses called by the associated person or party requesting expungement on behalf of an unnamed person during the expungement hearing.

**(D) Opening and Closing Arguments by Customer or
Customer's Representative**

The arbitrator or panel must allow the customer or the customer's representative to present opening and closing arguments if the arbitrator or panel allows any party to present such arguments.

(6) Arbitrator or Panel Requests Additional Documents or Evidence

The arbitrator or panel may request from the associated person, or party requesting expungement on behalf of an unnamed person, any documentary, testimonial or other evidence that it deems relevant to the expungement request.

(7) Review Settlement Documents

[(b) In cases involving settlements,] The arbitrator or panel must review the settlement documents and consider the amount of payments made to any party and any other terms and conditions of [a]the settlement. In addition, the panel should inquire and fully consider whether a party conditioned a settlement of the arbitration upon agreement not to oppose the request for expungement in cases in which the customer does not participate in the expungement hearing or the requesting party states that a customer has indicated that he or she will not oppose the expungement request.

(8) Award

[(c)] The arbitrator or panel must [I]indicate in the arbitration award which of the Rule 2080(b)(1) grounds for expungement serve[(s)] as the basis for its expungement [order]recommendation. [and]The arbitrator or panel must also provide a[brief] written explanation of the reason(s) for its finding that one or

more Rule 2080(b)(1) grounds for expungement [applies]apply to the facts of the [case]request, and identify any specific documentary, testimonial or other evidence on which the arbitrator or panel relied in recommending expungement.

(9) Forum Fees

[(d)] The arbitrator or panel must [A]assess all forum fees for hearing sessions in which the sole topic is the determination of the appropriateness of expungement against the party or parties requesting expungement[relief].

* * * * *

13000. CODE OF ARBITRATION PROCEDURE FOR INDUSTRY DISPUTES

* * * * *

13203. Denial of FINRA Forum

(a) No Change.

(b) The Director shall decline the use of the FINRA arbitration forum if the Director determines that the expungement request is ineligible for arbitration under Rule 13805.

[(b)](c) Disputes that arise out of transactions in a readily identifiable market may be referred to the arbitration forum for that market, if the claimant agrees.

* * * * *

13307. Deficient Claims

(a) The Director will not serve any claim that is deficient. The reasons a claim may be deficient include the following:

(1) through (4) No Change.

(5) The claimant did not pay all required filing fees, unless the Director deferred the fees; [or]

(6) The claim does not comply with the restrictions on filings with personal confidential information under Rule 13300(d)(1);

(7) A request to expunge information from the CRD system arising from a customer dispute does not include the customer's current address, unless the panel determines that extraordinary circumstances make such disclosure impracticable;

(8) A request to expunge information from the CRD system arising from a customer dispute does not include the CRD number of the party requesting expungement;

(9) A request to expunge information from the CRD system arising from a customer dispute does not include each CRD occurrence number that is the subject of the request;

(10) A request to expunge information from the CRD system arising from a customer dispute does not include the case name and docket number of the arbitration that gave rise to the customer dispute information, if applicable; or

(11) A request to expunge information from the CRD system arising from a customer dispute does not include an explanation of whether expungement of the same customer dispute information was (i) previously requested and, if so (ii) how it was decided.

(b) though (c) No Change.

* * * * *

**PART VIII SIMPLIFIED ARBITRATION; DEFAULT PROCEEDINGS;
STATUTORY EMPLOYMENT DISCRIMINATION CLAIMS;[AND]
INJUNCTIVE RELIEF; EXPUNGEMENT PROCEEDINGS; AND
PROMISSORY NOTE PROCEEDINGS**

* * * * *

13805. Expungement of Customer Dispute Information under Rule 2080

This Rule applies to all expungement requests of customer dispute information under Rule 2080. Except as otherwise provided in this Rule, all provisions of the Code apply to such expungement requests.

(a) Filing an Expungement Request against a Member Firm

(1) Applicability

An associated person may request expungement of customer dispute information by filing a statement of claim under Rule 13302 against a member firm at which he or she was associated at the time the customer dispute arose, unless barred by Rule 13805(a)(2).

(2) Limitations

(A) An associated person shall not file a claim requesting expungement of customer dispute information against the member firm at which he or she was associated at the time the customer dispute arose if:

(i) an arbitrator or panel held a hearing to consider the merits of the associated person's request for expungement of the same customer dispute information;

(ii) a court of competent jurisdiction previously denied the associated person's request to expunge the same customer dispute information;

(iii) the investment-related, customer-initiated arbitration, civil litigation or customer complaint that gave rise to the customer dispute information is not closed;

(iv) more than two years have elapsed since the investment-related, customer-initiated arbitration or civil litigation that gave rise to the customer dispute information has closed; or

(v) there was no investment-related, customer-initiated arbitration or civil litigation that gave rise to the customer dispute information, and more than six years have elapsed since the date that the customer complaint was initially reported to the CRD system.

(B) Subject to the six-year eligibility requirement of Rule 13206(a), an associated person is not barred from requesting expungement of customer dispute information pursuant to Rule 13805(a)(2) if:

(i) the request for expungement is made pursuant to Rule 13805 within two years of [insert the effective date of the proposed rule change], and the disclosure sought to be expunged arises from an investment-related, customer-initiated arbitration or civil litigation that closed on or prior to [insert the effective date of the proposed rule change]; or,

(ii) the request for expungement is made pursuant to Rule 13805 within six years of [insert the effective date of the proposed rule change], and the disclosure sought to be expunged arises from a customer complaint initially reported to the CRD system on or prior to [insert the effective date of the proposed rule change].

(3) Expungement Request

The expungement request must be filed with the Director, pursuant to Rule 13302, and include:

(A) the applicable filing fee;

(B) the CRD number of the party requesting expungement;

(C) each CRD occurrence number that is the subject of the request;

(D) the case name and docket number that gave rise to the customer dispute information, if applicable; and

(E) an explanation of whether expungement of the same customer dispute information was (i) previously requested and, if so (ii) how it was decided.

(4) Panel Decides Expungement Request

A three-person panel selected pursuant to Rule 13806 must hold an expungement hearing, pursuant to Rule 13805(c), to consider and decide the expungement request. At the conclusion of the expungement hearing, the panel must issue an award in accordance with Rule 13805(c)(8). If the associated

person withdraws or does not pursue the expungement request, the panel shall deny the expungement request with prejudice.

(b) Notifications

(1) The associated person shall:

(A) Provide all customers whose investment-related, customer-initiated arbitrations, civil litigations, and customer complaints gave rise to customer dispute information that is a subject of the expungement request with notice of the expungement request by serving on the customers a copy of the statement of claim requesting expungement and any answer, unless the panel determines that extraordinary circumstances make such service impracticable;

(B) Serve the customers with the statement of claim within 10 days of filing the statement of claim with FINRA and any answer within 10 days of the filing each answer with FINRA.

(C) Serve the customers by first-class mail, overnight mail service, overnight delivery service, or hand delivery; and

(D) File with the panel all documents provided by the associated person to the customers, including proof of service, and any responses received by the associated person from the customers.

(2) The Director shall notify all customers whose investment-related, customer-initiated arbitrations, civil litigations, and customer complaints gave rise to the customer dispute information that is a subject of the expungement request of the time, date and place of any prehearing conferences and the expungement

hearing using the customers' current address provided by the party seeking expungement.

(3) FINRA shall notify state securities regulators, in the manner determined by FINRA, of an expungement request within 30 days of receiving a complete expungement request filed pursuant to Rule 13805(a)(3).

(c) Expungement Hearing

In order to [grant]recommend expungement of customer dispute information [under Rule 2080], the panel must comply with the following requirements[:].

(1) Recorded Hearing Sessions

[(a)] The panel must [H]hold one or more [a]recorded hearing sessions [(by telephone, [or]in person)], or by video conference regarding the [appropriateness of]expungement request. [This paragraph will apply to cases administered under Rule 13800 even if a claimant did not request a hearing on the merits.]

(2) Associated Person's Appearance

The associated person who seeks to have customer dispute information expunged from his or her Form U4, Form U5, or Form U6 must personally appear at the expungement hearing. The panel shall decide the method of appearance.

(3) Customer's Appearance

(A) Entitled to Appear

All customers whose investment-related, customer-initiated arbitrations, civil litigations, and customer complaints gave rise to the customer dispute information that is a subject of the expungement request

are entitled to appear at the prehearing conferences and expungement hearing. The customer may provide his or her position on the expungement request in writing.

(B) Method of Appearance

All customers whose investment-related, customer-initiated arbitrations, civil litigations, and customer complaints gave rise to the customer dispute information that is a subject of the expungement request may appear at the expungement hearing by telephone, in person, or by video conference.

(4) Representation of Parties

All parties from investment-related, customer-initiated arbitrations or civil litigations, and customers whose customer complaints gave rise to the customer dispute information that is a subject of the expungement request shall have the right to be represented at the prehearing conferences and expungement hearing pursuant to Rule 13208.

(5) Customer and Customer's Representative Participation during the Expungement Hearing

(A) Customer's Testimony

The panel must allow the customer to testify at the expungement hearing and be questioned by the customer's representative. If a customer

testifies during the expungement hearing, the associated person requesting expungement may cross-examine the customer.

(B) Customer Introduces Evidence

If the customer or customer's representative introduces evidence during the expungement hearing, the associated person requesting expungement may state objections to the introduction of any evidence at the expungement hearing pursuant to the Code. The panel shall decide all objections.

(C) Associated Person's or Others' Testimony

The panel must allow the customer or the customer's representative to cross-examine the associated person requesting expungement and any witnesses called by the associated person during the expungement hearing.

(D) Opening and Closing Arguments by Customer or Customer's Representative

The panel must allow the customer or the customer's representative to present opening and closing arguments if the panel allows any party to present such arguments.

(6) Panel Requests Additional Documents or Evidence

The panel may request from the associated person requesting expungement, and from the member firm at which he or she was associated at the time the customer dispute arose, any documentary, testimonial or other evidence that it deems relevant to the expungement request.

(7) Review Settlement Documents

[(b) In cases involving settlements,] The panel must review the settlement documents and consider the amount of payments made to any party and any other terms and conditions of [a]the settlement. In addition, the panel should inquire and fully consider whether a party conditioned a settlement of the arbitration upon agreement not to oppose the request for expungement in cases in which the customer does not participate in the expungement hearing or the requesting party states that a customer has indicated that he or she will not oppose the expungement request.

(8) Award

[(c)] The panel must [I]indicate in the arbitration award which of the Rule 2080(b)(1) grounds for expungement serve[(s)] as the basis for its expungement [order]recommendation. [and] The panel must also provide a[brief] written explanation of the reason(s) for its finding that one or more Rule 2080(b)(1) grounds for expungement [applies]apply to the facts of the [case]request, and identify any specific documentary, testimonial or other evidence on which the panel relied in recommending expungement.

(9) Forum Fees

[(d)] The panel must [A]assess all forum fees for hearing sessions in which the sole topic is the determination of the appropriateness of expungement against the party or parties requesting expungement[relief].

13806. Panel to Decide Requests for Expungement of Customer Dispute

Information Filed by an Associated Person under Rule 13805

(a) Applicability

This Rule applies to claims that request expungement of customer dispute information filed by an associated person against a member firm, pursuant to Rule 13805. Except as otherwise provided in this Rule, all provisions of the Code apply to such claims.

(b) Selection of Panel

(1) The Neutral List Selection System shall randomly select three public arbitrators who are eligible for the chairperson roster and have the additional qualifications described in Rule 13806(b)(2) to decide a request for expungement of customer dispute information filed by an associated person pursuant to Rule 13805. The parties shall not be permitted to stipulate to the use of pre-selected arbitrators.

(2) Each arbitrator selected for the panel must have fully met the following additional qualifications:

(A) evidenced successful completion of, and agreement with, enhanced expungement training provided by FINRA; and

(B) service as an arbitrator through award on at least four customer-initiated arbitrations administered by FINRA pursuant to the Rule 12000 Series or another self-regulatory organization, in which a hearing was held, except a hearing pursuant to Rule 12800(c)(3)(B).

(3) The first arbitrator selected by the Neutral List Selection System shall be the chairperson of the panel.

(4) The associated person requesting expungement of customer dispute information shall not be permitted to strike any arbitrators selected by the Neutral List Selection System nor stipulate to their removal, but shall be permitted to challenge any arbitrator selected for cause pursuant to Rule 13410. If an arbitrator is removed, the Neutral List Selection System shall randomly select a replacement.

(5) Notwithstanding Rules 13401(b) and (c), the parties shall not be permitted to stipulate to fewer than three arbitrators on the panel to hear the expungement request.

[13806] 13807. Promissory Note Proceedings

No Change.

* * * * *