
April 30th, 2026

Re: Regulatory Notice 26-06: Comments on Modernizing Arbitration Rules, Guidance, and Processes

To Whom It May Concern:

Regulus Financial Group appreciates the opportunity to provide comments in response to FINRA Regulatory Notice 26-06 regarding potential updates to the arbitration rules, guidance and processes. We support FINRA's efforts to modernize the forum and to ensure that arbitration remains both accessible to investors and fundamentally fair to member firms and associated persons.

Based on our experience, we believe there are several aspects of the current arbitration framework that would benefit from meaningful refinement, particularly as they relate to jurisdictional scope, pleading standards, early case dismissal and the allocation of forum-related costs.

I. Jurisdictional Scope and Investment Advisory Account Claims

One area of persistent concern is the expansion of arbitration claims against broker-dealers where the initial pleading is broad in scope and framed with sweeping allegations, but where the underlying dispute ultimately centers on affiliated investment advisory activity. We have recently concluded a matter that illustrates this issue.

In these cases, the initial Statement of Claim asserts wide-ranging allegations against multiple respondents and theories of liability, creating the appearance of a dispute squarely within FINRA's jurisdiction. However, as discussions unfolded, it became increasingly clear that the claimant's primary objective was to recover market-related losses sustained within advisory accounts, not to address misconduct attributable to broker-dealer functions.

Despite the advisory-centric nature of the dispute, the broker-dealer was required to defend the matter in the FINRA arbitration forum, incurring substantial legal expenses, forum fees and reputational exposure. Despite the claimant maintaining no accounts with the broker-dealer, the procedural framework offered limited opportunity to meaningfully narrow or dismiss the claims at an early stage.

Additional clarity and stronger threshold review regarding jurisdiction especially where claims evolve from broad allegations into advisory-focused disputes would help ensure that matters are directed to the appropriate forum and that broker-dealers are not compelled to arbitrate claims beyond FINRA's intended scope.

II. Low Pleading Thresholds and Limited Access to Early Dismissal

We are tangentially concerned that the current arbitration structure permits claims to proceed even when they are minimally pleaded, lack particularized facts or fail to articulate viable legal theories. In practice, motions to dismiss are rarely granted, even where claims appear facially deficient.

As a result, the process often places undue settlement pressure on respondent firms not because of the merits of the allegations but because the cumulative costs of defense and the collateral regulatory consequences become prohibitive. This dynamic risks incentivizing the filing of weak or speculative claims while shifting disproportionate financial and operational burdens onto firms and registered representatives. These burdens extend beyond legal costs. Arbitration filings frequently trigger regulatory scrutiny, examination attention and multi-jurisdictional reporting obligations, all of which can carry lasting reputational and economic consequences regardless of the ultimate disposition of the case.

III. Forum Fees and Expungement Inefficiencies

We further believe that FINRA should re-evaluate the assessment of forum fees and procedural requirements, particularly in situations where a firm has no substantive dispute or adverse interest. In certain matters, including expungement proceedings, member firms may be required to participate and incur costs despite not opposing the relief sought. In such instances, procedural participation serves little substantive purpose while imposing unnecessary legal and forum expenses. More efficient mechanisms such as limited participation or alternative methods for obtaining necessary information would preserve procedural integrity while reducing avoidable costs.

IV. Conclusion

Regulus Financial Group supports a fair, efficient and transparent arbitration system that serves both investors and member firms. We believe targeted reforms to jurisdictional standards, pleading requirements, early dismissal mechanisms and cost allocation would materially improve the arbitration framework without undermining investor protections. We appreciate FINRA's consideration of these comments and thank you for the opportunity to participate in this dialogue.

Respectfully submitted,

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