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Invested in America

May 27, 2026

Via Email

Robert W. Cook
President and Chief Executive Officer
FINRA
1700 K Street, NW
Washington, D.C. 20006

Robert L.D. Colby
Executive Vice President and Chief Legal Officer
FINRA
1700 K Street, NW
Washington, D.C. 20006

Re: Recommendations for Reforming FINRA's Forum Selection Rules

Dear Messrs. Cook and Colby:

The Securities Industry and Financial Markets Association[1] ("SIFMA") writes to follow up on our recent discussion with FINRA regarding arbitration reform. SIFMA again thanks FINRA for issuing Regulatory Notice 26-06 to review its arbitration rules, guidance, and processes as part of its broader rule modernization initiative.[2] Consistent with the concerns we have raised over the last two years,[3] SIFMA believes a range of reforms are needed to ensure the forum operates as a neutral and impartial tribunal for investors and member firms alike.

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[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

[2] *See* FINRA Regulatory Notice 26-06, *FINRA Requests Comment on Modernizing FINRA Arbitration Rules, Guidance, and Processes* (Mar. 2, 2026).

[3] *See* SIFMA Letter, *Regulatory Notice 26-06: Modernizing FINRA Arbitration Rules, Guidance and Processes* (May 1, 2026), https://www.sifma.org/wp-content/uploads/2026/05/SIFMA-Regulatory-Notice-26-06-Response.pdf; SIFMA Letter, *Recommendations for FINRA Arbitration* (July 11, 2025), https://www.sifma.org/wp-content/uploads/2025/07/SIFMA-Letter-to-FINRA-re-Arbitration-2025.07.11.pdf; SIFMA Letter, *Form U5 Defamation Claims for Money Damages: Recommendations to improve the fairness of adjudications* (Feb. 20,

Notwithstanding our broader concerns, we write to reiterate our recommendation that FINRA should permit pre-dispute agreements that allow parties to resolve high-value claims outside of FINRA's arbitration forum, and to express support of the proposal discussed below.[4] Though we focus here on this one proposed reform to the forum selection process, we urge FINRA to also give serious consideration to our other recommendations, all of which would improve the forum's fairness and efficiency. This single proposed change to FINRA's forum selection rules is something that can be addressed expeditiously and which would have an immediate and beneficial impact for both customers and members. There is no reason to delay reform in this area while FINRA continues to evaluate our remaining recommendations.

In response to Regulatory Notice 26-06, FINRA received submissions suggesting specific proposed rule changes to permit forum selection clauses in disputes involving high-value claims. One such proposal included language that would substantially address the concerns around adjudicating high-value claims in FINRA arbitration:

> *Notwithstanding anything in Rule 12200 to the contrary, whenever a customer files a claim against a member firm or a member firm and an associated person seeking arbitration under the Code that (i) claims $5 million or more in relief, the member firm may, at its election, require that the customer refile and pursue the claim in a court of competent jurisdiction or such other alternative forum as has been agreed between them in their customer agreement, or (ii) claims less than $5 million or an unspecified amount, then the authority of the FINRA panel to award relief, whether compensatory, statutory, recessionary, punitive or equitable, shall be limited to $5 million in the aggregate; provided, however, that if at any time the customer increases the amount being claimed to $5 million or more, whether by formal amendment or otherwise, the firm may at that time, at its election, require that the customer withdraw the claim and pursue it in a court of competent jurisdiction or such other alternative forum as has been agreed between them in their customer agreement. For purposes of this Rule, related claims that are combined pursuant to Rule 12314 shall be treated as a single claim for purposes of the amount being claimed and the limitation on the FINRA panel's authority to award relief.*[5]

SIFMA endorses this proposal, which allows for the use of alternative forums in accordance with the terms of the customer agreement, and respectfully urges FINRA to adopt a rule consistent with this approach.[6] Doing so would provide a straightforward, targeted, and administrable solution for high-value claims, while strengthening confidence in the FINRA

2024), https://www.sifma.org/wp-content/uploads/2024/02/SIFMA-Letter-to-FINRA-re-U5-defamation-claims-220.2024.pdf.

[4] The recommendations in this letter are intended to incorporate by reference SIFMA's prior submissions to FINRA addressing arbitration reform. *See* SIFMA's July 2025 and May 2026 Letters to FINRA, *supra* note 3.

[5] *See* Letter from Stifel Financial, *Regulatory Notice 26-06 – Request for Comment on FINRA's Arbitration Forum* (May 1, 2026), at 2, https://www.finra.org/sites/default/files/NoticeComment/Stifel%20Financial_Ronald%20J.%20Kruszewski_26-06_5.1.2026.pdf.

[6] At a minimum, FINRA should adopt the same changes to the forum selection rules for industry disputes under Rule 13200. *See, e.g.*, SIFMA's May 2026 Letter to FINRA, *supra* note 3, at 4.

forum for the vast majority of disputes that would remain there.

SIFMA welcomes the opportunity to discuss our recommendations in more detail, and we look forward to a continued dialogue with you on these issues. If you have any questions or require additional information, please do not hesitate to contact us.

Sincerely,

Saima S. Ahmed
Executive Vice President & General Counsel

Alyssa M. Pompei
Vice President & Assistant General Counsel