WALL STREET CAPITAL CORPORATION

April 30, 2026

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006

Re: Regulatory Notice 26-06 – Request for Comment on Modernizing FINRA Arbitration Rules, Guidance and Processes

Dear Ms. Mitchell:

We hope the FINRA Forward initiative will allow FINRA to emerge as a viable entity serving the investing public and its member firms alike. Thank you for the opportunity to comment on FINRA's arbitration system.

FORCED ARBITRATION

Arbitration is fundamentally a matter of contract. Its legitimacy rests on mutual assent—both parties agreeing in advance to waive access to judicial remedies in favor of a private dispute resolution forum. Permitting a customer to compel arbitration absent any such agreement undermines this foundational principle and effectively converts arbitration from a consensual mechanism into a unilateral right.

Such a framework introduces a structural imbalance. Broker-dealers are bound by the regulatory obligations and procedural constraints of FINRA arbitration without having negotiated for its use, while customers retain optionality between court litigation and arbitration. This asymmetry is inconsistent with basic principles of contract law and due process, where dispute resolution mechanisms are typically defined and agreed upon ex ante.

Moreover, allowing unilateral election of arbitration creates legal and operational uncertainty. Firms structure their compliance programs, litigation strategies, insurance coverage, and risk management frameworks based on the dispute resolution provisions contained in their customer agreements. Imposing arbitration where none was agreed to disrupts these frameworks and introduces unquantifiable exposure.

It is also important to recognize that customers are not deprived of remedies in the absence of an arbitration clause. They retain full access to state and federal courts, including the procedural safeguards, appellate rights, and evidentiary standards inherent in the judicial system. Arbitration should not be imposed as a substitute remedy where it has not been contractually selected.

From a policy perspective, preserving the consensual nature of arbitration enhances its legitimacy and fairness. If arbitration is to remain a viable and respected forum, its use must be grounded in clear, mutual agreement—not regulatory imposition or unilateral election.

Accordingly, customers should not have the right to compel FINRA arbitration unless:

1. A valid and enforceable arbitration clause exists in the customer agreement; or
2. Both parties expressly consent to arbitration after the dispute arises.

Any departure from this framework risks eroding contractual integrity, creating regulatory overreach, and undermining confidence in the dispute resolution process.

A change made several years ago removed the industry-registered person from FINRA arbitration panels. This left firms with no assurance that panels would receive input on FINRA regulations during deliberations. Without that expertise, panels have at times disregarded applicable FINRA rules—whether from lack of familiarity or misunderstanding—and reached decisions based on notions of "equity" or other extra-regulatory criteria rather than on whether the firm complied with governing regulations and fulfilled its disclosure obligations. FINRA should reinstate a qualified industry representative on arbitration panels to restore regulatory competency to the deliberative process.

FINRA membership is a prerequisite for operating as a broker-dealer. As a condition of that membership, firms are required to participate in FINRA arbitration at the customer's election—regardless of whether the firm's customer agreement contains an arbitration clause. Because federal arbitration law is consensual in nature and applies only when parties have contracted for it, this regulatory mandate is without proper foundation where no such agreement exists. Firms that have deliberately chosen not to include arbitration clauses, and that would prefer to resolve disputes through the judicial system, currently have no ability to do so if the customer elects FINRA arbitration. FINRA's rules should be revised to permit firms to decline arbitration when their customer agreements contain no arbitration provision.

Arbitration is not inherently mandatory under federal law—it applies when agreed upon by contract. FINRA's rule effectively imposing arbitration at the customer's discretion, even without such an agreement, is therefore unwarranted. Firms that choose not to include arbitration clauses should retain the ability to resolve disputes in court. The current structure denies that option.

FINRA's rules should be revised to allow firms to decline arbitration when no contractual obligation to arbitrate exists.

Meaningful Rights to Appeal

We advocate for the introduction of a narrowly tailored appellate review mechanism within FINRA's arbitration framework. Specifically, FINRA should implement a limited appeals process that provides streamlined review for (i) large monetary awards and (ii) cases involving clear procedural error.

As currently structured, FINRA arbitration is intended to provide efficient, final resolution of disputes. However, the absence of any meaningful internal appellate safeguard creates structural risk in cases where outcomes may be materially affected by demonstrable procedural defects or where the magnitude of an award warrants an additional layer of scrutiny. This dynamic can undermine confidence in the fairness and consistency of the arbitration system, particularly among member firms subject to significant financial exposure.

A limited appellate process would address these concerns without eroding arbitration's core value proposition—efficiency and finality. Such a process should be tightly scoped and governed by defined thresholds and standards, including:

- **Eligibility Criteria:** Appeals limited to awards exceeding a specified monetary threshold and/or cases presenting clear, documented procedural irregularities (e.g., exclusion of material evidence, arbitrator bias, or misapplication of governing rules).
- **Standard of Review:** A deferential but structured review focused on procedural integrity and manifest errors, rather than de novo reconsideration of factual determinations.
- **Expedited Timeline:** Strict deadlines for filing, briefing, and decision to preserve arbitration's efficiency.
- **Specialized Appellate Panel:** A standing panel with demonstrated expertise in FINRA rules, securities regulation, and arbitration procedure to ensure consistency and technical rigor.

Importantly, this reform would not open the door to routine appeals or protracted litigation. Rather, it would function as a targeted corrective mechanism in exceptional cases where the integrity of the process or the scale of the outcome justifies additional review.

Introducing this safeguard would enhance confidence in FINRA arbitration by reinforcing procedural fairness, improving consistency in outcomes, and aligning the forum more closely with principles of due process—without materially increasing cost or delay.

Given the evolving complexity of disputes and the increasing size of arbitration awards, the absence of any internal review mechanism is increasingly difficult to justify. A carefully designed, limited appellate process represents a pragmatic and necessary modernization of FINRA's dispute resolution framework.

In review:

▪If firms do not elect to include an arbitration clause in their customer agreements, customers should not have the ability to force firms to participate in FINRA arbitration

▪ FINRA should establish a narrowly tailored appeal mechanism for arbitration awards that exceed a specified dollar threshold or that are affected by clear procedural defects.
▪ FINRA should reinstate a qualified industry-registered representative on arbitration panels to ensure that panels possess adequate knowledge of FINRA rules and the regulatory framework governing member firms.

Thank you for your consideration of this proposal. I would welcome the opportunity to discuss this recommendation further or to provide additional input on implementation considerations.

Respectfully submitted,

Jim Webb
CEO/CCO
Wall Street Capital Corporation CRD#13847