

Notice to Members

AUGUST 2004

SUGGESTED ROUTING

Legal and Compliance

KEY TOPICS

Arbitration
Arbitrators
Dispute Resolution

GUIDANCE

Online Arbitration Claim Filing System

SEC Approves Amendments to Rule 10314 to Implement the Online Arbitration Claim Filing System; **Effective August 5, 2004**

Executive Summary

The Securities and Exchange Commission (SEC) has approved amendments to Rule 10314 of the NASD Code of Arbitration Procedure (Code) to allow parties to complete part of the arbitration claim filing process through the Internet.¹

The text of the amendments is set forth in Attachment A. The amendments will be effective on August 5, 2004 and will apply to any arbitration claims commenced using the system on or after August 5, 2004.

Questions/Further Information

Questions regarding this *Notice* may be directed to Mignon McLemore, Counsel, NASD Dispute Resolution, at (202) 728-8151 or mignon.mclemore@nasd.com.

Discussion

NASD has amended Rule 10314 of the Code to allow parties to complete part of the arbitration claim filing process through the Internet.

Background

NASD Dispute Resolution is upgrading its computer system, in what is known as the MATRICS² Computer Project, which will replace its two case management systems: CRAFTIS and NLSS (Neutral List Selection System). Once the upgrade is complete, MATRICS will be an interactive, automated system that will allow parties and arbitrators to monitor and provide updates for those arbitration cases in which they are participating.

Online Claim Filing System

A significant component of this upgrade includes the development of an online, Internet-based arbitration claim notification and filing system (online filing system). This component of MATRICS will allow parties to complete part of the arbitration claim filing process through the Internet by submitting certain information to NASD electronically.

Under the current rule, if a claimant wants to file an arbitration claim, the claimant must complete a package of materials and return them to NASD Dispute Resolution through the mail. The Claimant also must supply copies of the Statement of Claim and supporting documents for the other parties and the arbitrators. Once the intake staff receives the claimant's materials, the staff must open a new case file and manually enter the new claim information into CRAFTIS. The process of opening a case file, analyzing claim documents, and manually entering data is time-consuming and can be subject to delay as errors (resulting from illegible handwriting to incomplete answers) are corrected. With the implementation of the online filing system, the process will begin to become more streamlined, and ultimately, more efficient.

The online filing system will allow a Claimant to commence the arbitration claim filing process by completing a Claim Information Form online. The Claim Information Form is an electronic version of the Claim Information Sheet, which is included in the materials sent to claimants seeking to file an arbitration claim. This document gathers key information about the claim, such as background information on all of the parties, the actions giving rise to the claim, and the type of relief sought. When completed, the Claim Information Sheet serves as a reliable source of background information for intake staff. Thus, NASD Dispute Resolution decided to use it as a template in designing the online filing system.

While use of the online filing system is voluntary, the benefits that the system provides will make filing an arbitration claim online more attractive than using the mail. Once the Claimant has completed the Claim Information Form online, the online filing system will allow the Claimant to attach an electronic version of the Statement of Claim to the form, provided it does not exceed 50 pages. Once this online form has been completed, the Claimant will be able to send all of this information to NASD Dispute Resolution electronically.³ Other benefits provided by the system include a link to the fee calculators, which will calculate the amount that should be remitted with the Statement of Claim, and a "look up" tool that helps the user find the exact name of a respondent to insert in the appropriate fields. The system will also allow a user to print a receipt of the submission; print instructions for completing the filing; save partially completed claims as "templates" to be used as the basis for subsequent claims; and save multiple partially completed claims that can be accessed and completed at a later date.

Effective Date

The amendments will be effective on August 5, 2004 and will apply to any arbitration claims commenced using the system on or after August 5, 2004.

Endnotes

- 1 Exchange Act Release No. 49673 (May 10, 2004) (File No. SR-NASD-2004-016), 69 Federal Register 26910 (May 14, 2004).
- 2 MATRICS stands for Mediation and Arbitration Tracking and Retrieval Interactive Case System.
- 3 The Claimant would then complete the claim filing process by filing a copy of the Tracking Form receipt, an executed Uniform Submission Agreement, sufficient copies of the Statement of Claim (if it has not been submitted electronically), sufficient copies of any exhibits or other supporting documents, and the filing fee and hearing session deposit through the mail, as is current practice. NASD staff will make the necessary copies of the electronically submitted Statement of Claim for the other parties and the arbitrators.

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ATTACHMENT A

New language is underlined; deletions are in brackets.

Code of Arbitration Procedure

* * *

10314. Initiation of Proceedings

Except as otherwise provided herein, an arbitration proceeding under this Code shall be instituted as follows:

(a) Statement of Claim

(1) The Claimant shall file with the Director of Arbitration an executed Submission Agreement, a Statement of Claim of the controversy in dispute, together with the documents in support of the Claim, and the required deposit. Sufficient additional copies of the Submission Agreement and the Statement of Claim and supporting documents shall be provided to the Director of Arbitration for each party and each arbitrator. The Statement of Claim shall specify the relevant facts and the remedies sought. The Director of Arbitration shall endeavor to serve promptly by mail or otherwise on the Respondent(s) one (1) copy of the Submission Agreement and one (1) copy of the Statement of Claim.

(2) A Claimant or counsel (referred to herein collectively as "Claimant") may use the online claim notification and filing procedure to complete part of the arbitration claim filing process through the Internet. To commence this process, a Claimant may complete a Claim Information Form that can be accessed through an NASD Web site. In completing the Claim Information Form, the Claimant may attach an electronic version of the Statement of Claim to the form, provided it does not exceed 50 pages. Once this online form has been completed, an NASD Dispute Resolution Tracking Form will be generated and displayed for the Claimant to reproduce as necessary. The Claimant shall then file with the Director of Arbitration the rest of the materials required in subparagraph (1), above, along with a hard copy of the NASD Dispute Resolution Tracking Form.

(Remainder of rule unchanged.)

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