

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="22"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2016"/> - * <input type="text" value="033"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by Financial Industry Regulatory Authority
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input 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"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<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"/>
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Description

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

Proposed rule change to provide that an attorney arbitrator would be eligible for the chairperson roster if he or she completes chairperson training and serves as an arbitrator through award on at least one arbitration, instead of two arbitrations, administered by a self-regulatory organization in which hearings were held

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 * <input type="text" value="Margo"/>	Last Name * <input type="text" value="Hassan"/>
Title * <input type="text" value="Associate Chief Counsel"/>	
E-mail * <input type="text" value="margo.hassan@finra.org"/>	
Telephone * <input type="text" value="(212) 858-4481"/>	Fax <input type="text" value="(301) 527-4761"/>

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 <input type="text" value="08/12/2016"/>	SVP, Chief Counsel, FINRA Office of Dispute Resolution
By <input type="text" value="Kenneth Andrichik"/>	<input type="text"/>
(Name *)	<input type="text" value="Ken Andrichik, Ken.Andrichik@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 EFFF 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.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend Rule 12400 of the Code of Arbitration Procedure for Customer Disputes (“Customer Code”) and Rule 13400 of the Code of Arbitration Procedure for Industry Disputes (“Industry Code”) (together, “Codes”) to provide that an attorney arbitrator would be eligible for the chairperson roster if he or she completes chairperson training and serves as an arbitrator through award on at least one arbitration, instead of two arbitrations, administered by a self-regulatory organization (“SRO”) in which hearings were held.

The text of the proposed rule change is attached as Exhibit 5.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

At its meeting on May 5, 2016, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later

¹ 15 U.S.C. 78s(b)(1).

than 60 days following Commission approval. The effective date will be no later than 30 days following publication of the Regulatory Notice announcing Commission approval.

Questions regarding this rule filing may be directed to Margo Hassan, Associate Chief Counsel, FINRA's Office of Dispute Resolution, at (212) 858-4481.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

Background

FINRA rules require chairpersons, who play a vital role in the administration of arbitration cases, to have arbitrator experience and training to ensure the quality and efficiency of arbitrations. FINRA Rules 12400 and 13400 address the Neutral List Selection System ("NLSS")² and arbitrator rosters and provide, among other matters, that an arbitrator is eligible for the chairperson roster if he or she has completed chairperson training provided by FINRA and:

- Has a law degree and is a member of a bar of at least one jurisdiction and has served as an arbitrator through award on at least two arbitrations administered by an SRO in which hearings were held (an "attorney arbitrator"); or
- Has served as an arbitrator through award on at least three arbitrations administered by an SRO in which hearings were held.

² The NLSS is a computer system that generates, on a random basis, lists of arbitrators from FINRA's rosters of arbitrators for the selected hearing location for each proceeding. FINRA maintains a roster of non-public arbitrators (as defined in FINRA Rules 12100(p) and 13100(p)), a roster of public arbitrators (as defined in FINRA Rules 12100(u) and 13100(u)), and a roster of arbitrators who are eligible to serve as chairperson of a panel.

FINRA's Office of Dispute Resolution ("ODR") offers 71 hearing locations, including at least one in each state of the United States, one in San Juan, Puerto Rico, and one in London, UK. ODR maintains a diverse roster of approximately 6,750 arbitrators, of which approximately 3,060 are currently classified as public. Approximately 1,000 of the 3,060 are chair-qualified. Despite the size of the public chairperson roster, forum users have raised concerns of a diminished public chairperson roster resulting from amendments to the "public arbitrator" definition that became effective on June 26, 2015.³ As a result of the amended public arbitrator definition, FINRA reclassified approximately 13.8 percent (487 out of 3,512) of its public arbitrator roster as non-public and approximately 2.6 percent (93 out of 3,512) of its public arbitrator roster were temporarily disqualified and made ineligible for service.⁴ Many of the arbitrators who were reclassified or disqualified were chair-qualified.

Currently, the public chairperson roster in each hearing location ranges from fewer than 40 to over 200. Forum users recognize the risk that when the caseload increases, the ratio of cases to qualified public chairpersons is higher and FINRA may not have a sufficient number of public chairpersons on its roster.

To expand the roster of public chairpersons in locations where the ratio of cases to qualified public chairpersons is higher, FINRA asks many public chairpersons to serve in

³ See Securities Exchange Act Release No. 74383 (February 26, 2015), 80 FR 11695 (Order Approving Filing No. SR-FINRA-2014-028) (in part narrowing the public arbitrator definition by adding disqualifications relating to, among other things, affiliations with the securities industry concerning an arbitrator's family member or place of employment).

⁴ There were an estimated 2,932 public arbitrators after the amended public arbitrator definition became effective. Arbitrator recruitment since July 2015 added approximately 128 to the public arbitrator roster, thereby reaching approximately 3,060 public arbitrators as of this rule filing.

multiple hearing locations. FINRA reimburses these chairpersons for their travel, lodging, and meals. However, party representatives have told FINRA staff that it is inconvenient to schedule hearings with out-of-town arbitrators. Moreover, during inclement weather, arbitrators may not be able to travel to the hearing location, which would then require parties to reschedule and incur additional costs. In addition, some forum users suggest that these arbitrators may also need instruction on the state laws, procedures, and customs for the hearing venue.

FINRA has had limited success in enrolling new public chairpersons. One reason is that for the last few years, FINRA's arbitration caseload has remained low, and public arbitrators were not serving on a sufficient number of cases through award to meet the case experience requirements for attorney arbitrators outlined above. In 2015, only 24% of cases closed by award. However, thus far in 2016, there has been an increase in case filings (up 20% compared to the same period in 2015). If this trend persists, the need for more public chairpersons could outpace the qualification pipeline under the current eligibility criteria.

Proposed Amendments to Rules 12400(c) and 13400(c)

FINRA is proposing to amend Rules 12400(c) and 13400(c) to provide that an attorney arbitrator would be eligible for the chairperson roster if he or she completes chairperson training and serves as an arbitrator through award on at least one arbitration, instead of two arbitrations, administered by an SRO in which hearings were held.

Reducing the case experience requirement from two arbitrations to one arbitration could add more than 270 attorney arbitrators across 59 of the 71 hearing locations, resulting in a

nearly 30 percent increase in the number of arbitrators who might be eligible to serve as public chairpersons once they take chairperson training.

FINRA is also proposing to replace the bullets in Rules 12400 and 13400 with numbers for ease of citation.

As noted in Item 2 of this filing, if the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval. The effective date will be no later than 30 days following publication of the Regulatory Notice announcing Commission approval.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁵ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change would protect investors and the public interest by potentially increasing the number of eligible public chairpersons in all hearing locations, without negatively impacting the quality of the chairperson rosters. The proposal would address concerns raised by forum users of FINRA's diminished public chairperson roster resulting from the amended public arbitrator definition and the inconvenience of scheduling hearings with out-of-town arbitrators.

⁵ 15 U.S.C. 78o-3(b)(6).

4. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Attorney arbitrators have the skillset to efficiently manage hearings and the experience to decide motions, among other matters. Their service as an arbitrator through award on one arbitration provides them with valuable experience regarding the arbitration forum. FINRA rules also require chairperson training before an attorney arbitrator becomes eligible to serve on a case as chairperson. The path to becoming chair-qualified is not mandatory however. ODR prompts candidates to register for chairperson training when they meet the other minimum qualifications. Any arbitrator who would like additional experience prior to serving as chairperson can defer the training until he or she gains that experience. In addition, ODR recently implemented a chairperson mentorship program to offer new chairpersons an additional resource for refining their chairperson skills. FINRA believes that by potentially increasing local chairpersons in hearing locations, FINRA would address forum users' concerns about scheduling out-of-town public chairpersons. Local arbitrators may also need less instruction on state laws, procedures, and customs. In addition, if the caseload increases, FINRA may not need to expand the use of public chairpersons from outside hearing locations, thereby avoiding additional forum user concerns.

The proposed rule change is expected to provide a greater selection of local chairpersons for forum users, thereby potentially lowering instances in which chairpersons must travel. In addition, during the arbitrator selection process, FINRA

supplies all parties with Arbitrator Disclosure Reports⁶ that include the arbitration case history for each potential arbitrator. Parties can strike arbitrators from the list for any reason. FINRA believes that the transparency of the Arbitrator Disclosure Report will continue to ensure that parties can make informed decisions regarding their chairperson selection and that the proposed rule change will increase the parties' choices.

5. **Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

Written comments were neither solicited nor received.

6. **Extension of Time Period for Commission Action**

FINRA does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.⁷

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

Not applicable.

8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

9. **Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

10. **Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

⁶ The Arbitrator Disclosure Report contains background information about the potential arbitrator, such as the arbitrator's name, classification, skills, employment, education, training, conflict information, and any publicly available awards the arbitrator issued.

⁷ 15 U.S.C. 78s(b)(2).

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2016-033)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change Relating to Broadening Chairperson Eligibility in Arbitration

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 12, 2016, Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend FINRA Rule 12400 of the Code of Arbitration Procedure for Customer Disputes (“Customer Code”) and FINRA Rule 13400 of the Code of Arbitration Procedure for Industry Disputes (“Industry Code,” and together with the Customer Code, the “Codes”) to provide that an attorney arbitrator would be eligible for the chairperson roster if he or she completes chairperson training and serves as an arbitrator through award on at least one arbitration, instead of two arbitrations, administered by a self-regulatory organization (“SRO”) in which hearings were held.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

The text of the proposed rule change is available on FINRA's website at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Background

FINRA rules require chairpersons, who play a vital role in the administration of arbitration cases, to have arbitrator experience and training to ensure the quality and efficiency of arbitrations. FINRA Rules 12400 and 13400 address the Neutral List Selection System ("NLSS")³ and arbitrator rosters and provide, among other matters, that an arbitrator is eligible for the chairperson roster if he or she has completed chairperson training provided by FINRA and:

³ The NLSS is a computer system that generates, on a random basis, lists of arbitrators from FINRA's rosters of arbitrators for the selected hearing location for each proceeding. FINRA maintains a roster of non-public arbitrators (as defined in FINRA Rules 12100(p) and 13100(p)), a roster of public arbitrators (as defined in FINRA Rules 12100(u) and 13100(u)), and a roster of arbitrators who are eligible to serve as chairperson of a panel.

- Has a law degree and is a member of a bar of at least one jurisdiction and has served as an arbitrator through award on at least two arbitrations administered by an SRO in which hearings were held (an “attorney arbitrator”); or
- Has served as an arbitrator through award on at least three arbitrations administered by an SRO in which hearings were held.

FINRA’s Office of Dispute Resolution (“ODR”) offers 71 hearing locations, including at least one in each state of the United States, one in San Juan, Puerto Rico, and one in London, UK. ODR maintains a diverse roster of approximately 6,750 arbitrators, of which approximately 3,060 are currently classified as public. Approximately 1,000 of the 3,060 are chair-qualified. Despite the size of the public chairperson roster, forum users have raised concerns of a diminished public chairperson roster resulting from amendments to the “public arbitrator” definition that became effective on June 26, 2015.⁴ As a result of the amended public arbitrator definition, FINRA reclassified approximately 13.8 percent (487 out of 3,512) of its public arbitrator roster as non-public and approximately 2.6 percent (93 out of 3,512) of its public arbitrator roster were temporarily disqualified and made ineligible for service.⁵ Many of the arbitrators who were reclassified or disqualified were chair-qualified.

⁴ See Securities Exchange Act Release No. 74383 (February 26, 2015), 80 FR 11695 (Order Approving Filing No. SR-FINRA-2014-028) (in part narrowing the public arbitrator definition by adding disqualifications relating to, among other things, affiliations with the securities industry concerning an arbitrator’s family member or place of employment).

⁵ There were an estimated 2,932 public arbitrators after the amended public arbitrator definition became effective. Arbitrator recruitment since July 2015 added approximately 128 to the public arbitrator roster, thereby reaching approximately 3,060 public arbitrators as of this rule filing.

Currently, the public chairperson roster in each hearing location ranges from fewer than 40 to over 200. Forum users recognize the risk that when the caseload increases, the ratio of cases to qualified public chairpersons is higher and FINRA may not have a sufficient number of public chairpersons on its roster.

To expand the roster of public chairpersons in locations where the ratio of cases to qualified public chairpersons is higher, FINRA asks many public chairpersons to serve in multiple hearing locations. FINRA reimburses these chairpersons for their travel, lodging, and meals. However, party representatives have told FINRA staff that it is inconvenient to schedule hearings with out-of-town arbitrators. Moreover, during inclement weather, arbitrators may not be able to travel to the hearing location, which would then require parties to reschedule and incur additional costs. In addition, some forum users suggest that these arbitrators may also need instruction on the state laws, procedures, and customs for the hearing venue.

FINRA has had limited success in enrolling new public chairpersons. One reason is that for the last few years, FINRA's arbitration caseload has remained low, and public arbitrators were not serving on a sufficient number of cases through award to meet the case experience requirements for attorney arbitrators outlined above. In 2015, only 24% of cases closed by award. However, thus far in 2016, there has been an increase in case filings (up 20% compared to the same period in 2015). If this trend persists, the need for more public chairpersons could outpace the qualification pipeline under the current eligibility criteria.

Proposed Rule Change

FINRA is proposing to amend Rules 12400(c) and 13400(c) to provide that an attorney arbitrator would be eligible for the chairperson roster if he or she completes chairperson training and serves as an arbitrator through award on at least one arbitration, instead of two arbitrations, administered by an SRO in which hearings were held. Reducing the case experience requirement from two arbitrations to one arbitration could add more than 270 attorney arbitrators across 59 of the 71 hearing locations, resulting in a nearly 30 percent increase in the number of arbitrators who might be eligible to serve as public chairpersons once they take chairperson training.

FINRA is also proposing to replace the bullets in Rules 12400 and 13400 with numbers for ease of citation.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁶ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change would enhance efficiency for forum participants because arbitrators would be permitted to dismiss previously adjudicated cases at an earlier point in an arbitration proceeding.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the

⁶ 15 U.S.C. 78o-3(b)(6).

Act. Attorney arbitrators have the skillset to efficiently manage hearings and the experience to decide motions, among other matters. Their service as an arbitrator through award on one arbitration provides them with valuable experience regarding the arbitration forum. FINRA rules also require chairperson training before an attorney arbitrator becomes eligible to serve on a case as chairperson. The path to becoming chair-qualified is not mandatory however. ODR prompts candidates to register for chairperson training when they meet the other minimum qualifications. Any arbitrator who would like additional experience prior to serving as chairperson can defer the training until he or she gains that experience. In addition, ODR recently implemented a chairperson mentorship program to offer new chairpersons an additional resource for refining their chairperson skills. FINRA believes that by potentially increasing local chairpersons in hearing locations, FINRA would address forum users' concerns about scheduling out-of-town public chairpersons. Local arbitrators may also need less instruction on state laws, procedures, and customs. In addition, if the caseload increases, FINRA may not need to expand the use of public chairpersons from outside hearing locations, thereby avoiding additional forum user concerns.

The proposed rule change is expected to provide a greater selection of local chairpersons for forum users, thereby potentially lowering instances in which chairpersons must travel. In addition, during the arbitrator selection process, FINRA supplies all parties with Arbitrator Disclosure Reports⁷ that include the arbitration case

⁷ The Arbitrator Disclosure Report contains background information about the potential arbitrator, such as the arbitrator's name, classification, skills, employment, education, training, conflict information, and any publicly available awards the arbitrator issued.

history for each potential arbitrator. Parties can strike arbitrators from the list for any reason. FINRA believes that the transparency of the Arbitrator Disclosure Report will continue to ensure that parties can make informed decisions regarding their chairperson selection and that the proposed rule change will increase the parties' choices.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form

(<http://www.sec.gov/rules/sro.shtml>); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2016-033 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Robert W. Errett, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2016-033. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2016-033 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸

Robert W. Errett
Deputy Secretary

⁸ 17 CFR 200.30-3(a)(12).

Exhibit 5

Proposed new language is underlined; deletions are in brackets

Customer Code

12400. Neutral List Selection System and Arbitrator Rosters

(a) No change.

(b) Arbitrator Rosters

FINRA maintains the following roster of arbitrators:

[•] (1) A roster of non-public arbitrators as defined in Rule 12100(p);

[•] (2) A roster of public arbitrators as defined in Rule 12100(u); and

[•] (3) A roster of arbitrators who are eligible to serve as chairperson of a panel as described in paragraph (c). Arbitrators who are eligible to serve as chairperson will also be included in the roster of public arbitrators, but will only appear on one list in a case.

(c) Eligibility for Chairperson Roster

In customer disputes, chairpersons must be public arbitrators. Arbitrators are eligible for the chairperson roster if they have completed chairperson training provided by FINRA and:

[•] (1) Have a law degree and are a member of a bar of at least one jurisdiction and have served as an arbitrator through award on at least [two] one arbitration[s] administered by a self-regulatory organization in which hearings were held; or

[•] (2) Have served as an arbitrator through award on at least three arbitrations administered by a self-regulatory organization in which hearings were held.

* * * * *

Industry Code

13400. Neutral List Selection System and Arbitrator Rosters

(a) No change.

(b) Arbitrator Rosters

FINRA maintains the following roster of arbitrators:

[•] (1) A roster of non-public arbitrators as defined in Rule 13100(p);

[•] (2) A roster of public arbitrators as defined in Rule 13100(u); and

[•] (3) A roster of arbitrators who are eligible to serve as chairperson of a panel as described in paragraph (c). Arbitrators who are eligible to serve as chairperson will also be included in the roster of non-public or public arbitrators, depending on composition of the panel under Rule 13402, but will only appear on one list in a case.

(c) Eligibility for Chairperson Roster

Arbitrators are eligible to serve as chairperson of panels submitted for arbitration under the Code if they have completed chairperson training provided by FINRA and:

[•] (1) Have a law degree and are a member of a bar of at least one jurisdiction and have served as an arbitrator through award on at least [two] one arbitration[s] administered by a self-regulatory organization in which hearings were held; or

[•] (2) Have served as an arbitrator through award on at least three arbitrations administered by a self-regulatory organization in which hearings were held.