

Ms. Jennifer Piorko Mitchell  
Office of the Corporate Secretary FINRA  
1735 K Street, NW Washington, DC 20006-1506

Re: FINRA Regulatory Notice 18-22

Dear Ms. Mitchell:

I write in support of the proposed amendment to the Discovery Guide to require routine disclosure of liability insurance coverage by broker/dealers. I have represented investors in commercial litigation and FINRA arbitration for several decades and am very familiar with the confusion in the industry regarding coverage. The lack of transparency hurts everyone and FINRA's failure to address it should be brought to a well-deserved end.

Often liability is clear, but inability to pay makes recovery impossible. Counsel for investors have no way of knowing to what extent coverage exists - if any. The lack of information is used as leverage by those with no ability to pay, damaging customers, invoking wrath at the FINRA arbitration process, and impugning the reputation of the industry. As a result, victims facing debilitating financial losses learn far too late that a liable party is unable to pay and has little or no insurance coverage. This outcome is the opposite of the "Investor Protection" mandate proclaimed by FINRA. Requiring disclosure will also stem misuse of threats of bankruptcy and Form BDW filings to avoid or sidestep customer complaints when coverage exists.

FINRA members should also be required to disclose liability coverage as an essential element of fairness in the arbitration process. Coverage disclosure has been required by the Federal Rules for decades, as it should be here. (See Fed.R.Civ.P. 26(a)(1)(A)(iv)).

Parties opposing disclosure do so on the dubious basis discovery suggests wrongdoing. This is illogical, and is tantamount to arguing that wearing seatbelts encourages automobile collisions. The cost is incremental and should be borne by those whose claimed superior knowledge and actual control places their customers' and their families' financial futures at risk. Potential misuse of such information, as is also touted as a defense, has been thwarted by imposing reasonable guidelines.

In sum, the Discovery Guidelines should be amended to require routine disclosure of liability coverage in fairness to the investing public, whose protection, FINRA's mandate requires.

Sincerely,  
Braden W. Sparks

Braden W. Sparks, PC