

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

SECURITIES EXCHANGE ACT OF 1934
Release No. 101414 / October 23, 2024

Admin. Proc. File No. 3-21880

In the Matter of the Applications of

ADAM STREGE

For Review of Actions Taken by

FINRA

OPINION OF THE COMMISSION

REGISTERED SECURITIES ASSOCIATION – REVIEW OF FINRA ACTIONS

Individual appealed FINRA actions prohibiting his access to its customer arbitration forum. *Held*, applications for review are dismissed.

APPEARANCES:

Adam Strege, pro se.

Alan Lawhead and Elizabeth Sisul for FINRA.

Appeals filed: February 26, 2024, and March 7, 2024
Last brief received: August 16, 2024

Adam Strege seeks review of two FINRA actions prohibiting him from accessing its customer arbitration forum.¹ We sustain FINRA's actions, finding that FINRA denied use of its arbitration forum in accordance with its rules because it reasonably determined that Strege poses a safety risk to other forum participants.

I. Background

Strege filed a statement of claim in FINRA's customer arbitration forum on November 29, 2022, against FINRA member firm TD Ameritrade, Inc. and a non-FINRA-member bank. Although not entirely clear from his statement of claim, Strege appears to have alleged that TD Ameritrade violated FINRA rules because its employees recommended that he open a margin account, even though TD Ameritrade does not offer a function for setting stop-loss orders per day and per position. Strege opened a margin account and alleged that he lost around \$38,000 because the account lacked an automated stop-loss function. Such a function, he claims, would have helped him avoid losses he incurred after he repeatedly pressed "Buy" even when he only intended to make a single purchase. Further, he claims that a disability prevents him from being able to set a stop-loss order manually for each trade, and TD Ameritrade violated the Americans with Disabilities Act by failing to provide an automated stop-loss function as a reasonable accommodation for his disability. Strege further alleged that TD Ameritrade provides incorrect buy and sell prices and that TD Ameritrade did not place "many of the trades" that it had claimed to place. Strege further alleged that TD Ameritrade "murders its customers to rob their brokerage accounts."

Strege's statement of claim also made other allegations that were seemingly unrelated to his claims against TD Ameritrade and the bank, such as a statement that he had filed a lawsuit accusing his employer and mother of murdering four congressmen and committing various other crimes. Strege also attached to his statement of claim a 104-page document entitled "Email sent to 30 million People" that made unclear assertions about Strege's life and world events. Among other things, the email referred to numerous acts of violence by others and asserted that Strege was falsely arrested based on untruthful claims that he threatened the Social Security Administration.

On November 29, 2022, Strege filed an amended statement of claim to correct some deficiencies that a FINRA senior case specialist had identified regarding his initial submission. For example, Strege's amended statement of claim included the full name of TD Ameritrade and a request for "punitive and compensatory damages of [\$]999,000." Strege's amended statement of claim also added several other corporations as respondents and explicitly requested that TD Ameritrade and the bank provide him with an affordable computer assistive device that would allow him to set stop-loss orders per day and per position. Strege's amended statement of claim was otherwise similar to the original one, and Strege again attached a 104-page document entitled "Email sent to 30 million People." The 104-page document appears to be largely

¹ The Commission previously remanded one of the two cases to FINRA because it had not adequately explained why it denied Strege's use of the arbitration forum. *Adam Strege*, Exchange Act Release No. 99267, 2024 WL 49089, at *2-3 (Jan. 3, 2024). As discussed below, FINRA has now explained its action.

identical to the first one, although Strege updated the date and deleted a few paragraphs from the end of the document.

On December 1, 2022, a FINRA senior case specialist sent Strege a letter stating that FINRA’s Director of Dispute Resolution Services denied Strege’s use of the FINRA arbitration forum under FINRA Rule 12203(a). Strege appealed this action to the Commission. The Commission remanded the case to FINRA on January 3, 2024, after determining that the Commission could not perform its review function because FINRA had not adequately explained why it denied use of its arbitration forum.² In remanding, the Commission stated that it “express[ed] no opinion on the underlying merits of FINRA’s decision to deny access to its arbitration forum.”³

On February 1, 2024, the Director sent Strege a letter explaining that, pursuant to FINRA Rule 12203, he denied Strege’s use of the arbitration forum in order “to protect the safety of the arbitrators, parties and their representatives.” The letter noted that Strege’s amended statement of claim includes “numerous references to violence and other troubling statements,” including at least 33 uses of the word “murder” or variations thereof, an assertion that TD Ameritrade murders its customers, and references to multiple mass-casualty events.⁴ The letter further explained that “FINRA believes that [Strege had] made violent threats against a federal agency,” based on Strege’s allegation in his amended statement of claim that he was falsely arrested by the FBI for threatening the Social Security Administration, as well as an FBI press release stating that Strege was arrested in 2019 for making bomb threats.⁵

The letter further stated that, “[u]nlike many court systems, FINRA does not have resources to manage parties who evidence violent tendencies that threaten the safety of arbitrators, parties and their representatives, and FINRA staff,” and “no FINRA office is equipped with the appropriate security measures to ensure the safety of [other forum participants] under these circumstances.” The letter explained that the Director had consulted with FINRA’s Director of Corporate Security, who “did not believe that any of the security measures available to FINRA is sufficient to overcome the potential danger [Strege] present[s] to hearing attendees.” The letter also observed that, although the Director has sometimes “permitted panels to hold FINRA arbitration hearings remotely, including during the COVID-19 pandemic, hearings are typically conducted in-person.” And the letter concluded that, even with a remote hearing, Strege “feasibly could locate” forum participants after learning their identities during the arbitration, which posed a “credible safety risk” to those individuals.

² *Id.*

³ *Id.* at *3.

⁴ According to the Director, the referenced mass-casualty events include “the September 11, 2001 terrorist attacks on the World Trade Center,” “the 2015 shooting in San Bernadino, the 2016 Pulse nightclub shooting in Orlando,” and “the 1999 shooting at Columbine High School.”

⁵ The Director attached the FBI press release to his denial letter.

On February 26, 2024, Strege filed with the Commission an application for review of the Director's February 1, 2024, denial letter.⁶ Around the same time, Strege filed with FINRA a second statement of claim dated February 23, 2024, which alleged in part that TD Ameritrade had closed his brokerage account in retaliation for the Commission's remand of his prior arbitration case. He also alleged that no other brokerage firm would allow him to open an account, and that FINRA had not responded to the Commission's remand order.

On March 7, 2024, the Director sent Strege a letter explaining that he was denying Strege's use of the FINRA arbitration forum as to his second statement of claim, based on the same safety concerns that had led the Director to deny use of the forum as to his first statement of claim. The Director noted that, although Strege's second statement of claim "contains no references to violence, it [did] nothing to dissuade" the Director of his conclusion that Strege presents an ongoing "serious safety risk."⁷ The Director also pointed out that, contrary to Strege's assertion, FINRA had responded to the Commission's remand order by issuing the February 1, 2024, denial letter.

Strege filed with the Commission an application for review of the Director's second denial letter on March 7, 2024.⁸ The Commission ordered briefing regarding Strege's application for review of FINRA's February 1 and March 7, 2024, actions denying his use of the FINRA arbitration forum.⁹

II. Analysis

Under Exchange Act Section 19(f), we review a FINRA action prohibiting a person's access to its services to determine whether (1) the specific grounds on which FINRA based the action exist in fact; (2) the action was in accordance with FINRA's rules; and (3) FINRA's rules

⁶ The Commission's Office of the Secretary assigned a new Administrative Proceeding File Number to Strege's appeal of the February 1, 2024, denial letter.

⁷ The Director also provided a second, independent basis for denying use of the forum, finding that the subject matter of the second statement of claim was inappropriate for arbitration because it raised essentially the same claims that Strege had presented in his first statement of claim. We do not reach this second ground for denying use of the forum because, as explained below, we uphold the Director's decision to deny use of the forum on safety grounds.

⁸ The Office of the Secretary docketed this second application for review of the March 7 denial letter under the same Administrative Proceeding File Number assigned to Strege's first application for review of the February 1 denial letter.

⁹ *Adam Strege*, Exchange Act Release No. 99943, 2024 WL 1603298 (Apr. 11, 2024) (order scheduling briefs); *see also* Rule of Practice 201(a), 17 C.F.R. § 201.201(a) ("By order of the Commission or a hearing officer, proceedings involving a common question of law or fact may be consolidated for hearing of any or all the matters at issue in such proceedings.").

are, and were applied in a manner, consistent with the Exchange Act's purposes.¹⁰ As explained below, we dismiss Strege's applications for review because we find that FINRA acted in accordance with its rules when it denied his use of its arbitration forum based on a determination that he poses a safety risk to other forum participants.

A. The specific grounds for FINRA's action exist in fact.

The record shows, and Strege does not contest, that the grounds for FINRA's action exist in fact. As FINRA found, Strege's first statement of claim and its exhibit (as amended) included at least 33 references to "murder" or variations thereof, including an allegation that arbitration respondent TD Ameritrade murders its customers. As FINRA also found, Strege's first statement of claim included references to many mass-casualty events.¹¹ And as FINRA further found, Strege was arrested for allegedly making bomb threats to the Social Security Administration. Strege, in fact, admits that he was arrested for making such threats, but he asserts that he was improperly arrested because he did not actually make any threats.

Finally, FINRA found that none of its offices are equipped with sufficient security measures to mitigate safety risks posed by forum participants. Strege has not challenged this finding, and FINRA has unique knowledge of its own security measures. We therefore conclude that this ground for FINRA's decision also exists in fact.

B. FINRA denied access to its arbitration forum in accordance with its rules.

FINRA Rule 12203(a) provides that "[t]he Director may decline to permit the use of the FINRA arbitration forum if the Director determines that . . . accepting the matter would pose a risk to the health or safety of arbitrators, staff, or parties or their representatives." The Director's decision to deny Strege's use of the arbitration forum was in accordance with this rule because the Director reasonably determined that accepting either of Strege's statements of claim for arbitration would pose a safety risk to other forum participants, given all the facts explained above.

For example, the Director reasonably determined that Strege posed a safety risk due to his first statement of claim's many references to mass-casualty events and murder.¹² Given these

¹⁰ 15 U.S.C. § 78s(f). Section 19(f) also requires us to set aside FINRA's action if we find that the action imposes an undue burden on competition. *Id.* Strege does not argue, and the record does not show, that FINRA's action imposes such a burden here.

¹¹ *See supra* note 4 (providing examples of mass-casualty events referred to in Strege's first statement of claim).

¹² Although Strege argues that the Director held that any statement of claim that mentions the word "murder" will be dismissed, making it impossible for customers to allege that brokerage firms murder their customers, the Director did not create such a bright-line rule or even heavily rely on Strege's allegation that the firm commits murder. Instead, as discussed above, the Director relied on the 33 references to the word "murder" or variations thereof *and* numerous references to mass-casualty events.

references to violence in the first statement of claim, it was reasonable for the Director to also take into account Strege's arrest for allegedly making bomb threats to the Social Security Administration when determining whether Strege poses a real safety risk.¹³ And although Strege's second statement of claim omitted references to violence, it contained nothing to counter the Director's assessment that Strege posed an ongoing safety risk, such as disavowing Strege's previous references to violence or providing assurances or proof that he is not a safety risk. The Director also reasonably found that no physical FINRA office contains adequate security features to mitigate safety risks posed by Strege, and that even permitting Strege to appear remotely would not sufficiently mitigate the safety risks Strege poses to other forum participants because he would still learn other participants' identifying information and therefore potentially be able to locate them.¹⁴

Finally, we note that, contrary to Strege's argument that FINRA failed to respond to the Commission's remand order, the Director issued a detailed letter on February 1, 2024, directly citing and responding to the remand order and explaining his reasons for denying Strege's use of the arbitration forum as to his first statement of claim.¹⁵

C. FINRA's rules are, and were applied, consistent with the Exchange Act's purposes.

FINRA Rule 12203(a) is consistent with the Exchange Act's purposes because it is in the public interest to protect the safety and health of the participants in FINRA's arbitration forum.¹⁶

¹³ We recognize that an arrest is not evidence of guilt, but we also recognize that an arrest can be relevant in assessing the security risk posed by an individual. *Cf. United States v. Delker*, 757 F.2d 1390, 1400 (3d Cir. 1985) (considering arrest history when determining that criminal defendant posed risk to community justifying pretrial detention); *United States v. Smith*, 160 F. Supp. 3d 280, 284 (D.D.C. 2016) (same). Moreover, even if we disregarded Strege's arrest, we would still find that the Director had an adequate basis for denying use of the forum based solely on the references to violence in the first statement of claim.

¹⁴ We further note that FINRA arbitration hearings are typically held in person, and Strege has not argued that he is entitled to or otherwise requested a remote hearing. *See Order Granting Approval of a Proposed Rule Change to Amend the Codes of Arbitration Procedure to Make Various Clarifying and Technical Changes to the Codes*, Exchange Act Release No. 98317, 88 Fed. Reg. 62835, 62844-45 (Sept. 13, 2023) (approving FINRA rule change codifying its preexisting practice of typically holding arbitration hearings in-person).

¹⁵ *See Strege*, 2024 WL 49089, at *2-3 (remanding based on FINRA's failure to adequately explain why it had denied Strege's use of the forum, without opining on the merits of that denial).

¹⁶ *See Exchange Act Section 15A(b)(6)*, 15 U.S.C. § 78o-3(b)(6) (providing that FINRA's rules must be designed "to protect investors and the public interest"); *Order Approving Proposed Rule Change to Amend NASD Arbitration Rules for Customer Disputes and NASD Arbitration Rules for Industry Disputes*, Exchange Act Release No. 55158, 72 Fed. Reg. 4574, 4601-02 (Jan. 31, 2007) ("The Commission agrees that in emergency situations, it is reasonable for the Director

Because the Director determined that Strege poses a safety risk to other forum participants, denying Strege's use of the arbitration forum was also consistent with the Exchange Act's purposes.

Accordingly, we dismiss Strege's applications for review. An appropriate order will issue.¹⁷

By the Commission (Chair GENSLER and Commissioners PEIRCE, CRENSHAW, UYEDA and LIZÁRRAGA).

Vanessa A. Countryman
Secretary

to have the authority and flexibility to act quickly to protect the health and safety of users and administrators of the forum.”).

¹⁷ We have considered all of the parties' contentions. We have rejected or sustained them to the extent that they are inconsistent or in accord with the views expressed in this opinion.

UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 101414 / October 23, 2024

Admin. Proc. File No. 3-21880

In the Matter of the Applications of

ADAM STREGE

For Review of Actions Taken by

FINRA

ORDER DISMISSING APPLICATIONS FOR REVIEW OF ACTIONS TAKEN BY
REGISTERED SECURITIES ASSOCIATION

On the basis of the Commission's opinion issued this day, it is

ORDERED that the applications for review filed by Adam Strege are dismissed.

By the Commission.

Vanessa A. Countryman
Secretary