

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-57225; File No. SR-FINRA-2007-042)

January 29, 2008

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Amendments to the Codes of Arbitration Procedure to Remove the Page Limit on Statements of Claim Filed Through the Online Arbitration Claim Filing System

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on December 27, 2007, Financial Industry Regulatory Authority, Inc. (“FINRA”) (f/k/a National Association of Securities Dealers, Inc. (“NASD”)) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by FINRA. FINRA has designated the proposed rule change as concerned solely with the administration of the self-regulatory organization under Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(3) thereunder,<sup>4</sup> which renders the proposal effective upon receipt of this filing by the Commission. 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 Rule 12302 of the Code of Arbitration Procedure for Customer Disputes (“Customer Code”) and Rule 13302 of the Code of Arbitration

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(3).

Procedure for Industry Disputes (“Industry Code”) to remove the 50-page limit on Statements of Claim filed through the Online Arbitration Claim Filing System (“the System”), to allow parties to submit exhibits to Statements of Claim through the System, and to reflect the new FINRA name.<sup>5</sup> Below is the text of the proposed rule change.

Proposed new language is underlined; proposed deletions are in brackets.

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## 12302. Filing an Initial Statement of Claim

### (a) Filing Claim with the Director

(1) To initiate an arbitration, a claimant must file the following with the Director:

- Signed and dated Uniform Submission Agreement; and
- A statement of claim specifying the relevant facts and remedies requested.

The claimant may include any additional documents supporting the statement of claim.

(2) A 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 [www.nasd.com] www.finra.org. In completing the Claim Information Form, the claimant may attach an electronic version of the statement of claim, and any additional documents supporting the statement of claim, to the form[, provided it does not exceed 50 pages]. Once this online form has been completed, [an NASD] a FINRA Dispute Resolution Tracking Form will

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<sup>5</sup> Specifically, FINRA is updating its Internet address and the title of the Tracking Form generated by the System.

be generated and displayed for the claimant to reproduce as necessary. The claimant shall then file with the Director the rest of the materials required in subparagraph (1) of the rule, along with a hard copy of the [NASD] FINRA Dispute Resolution Tracking Form.

(b) – (d) No change.

#### 13302. Filing an Initial Statement of Claim

##### (a) Filing Claim with the Director

(1) To initiate an arbitration, a claimant must file the following with the Director:

- Signed and dated Uniform Submission Agreement; and
- A statement of claim specifying the relevant facts and remedies requested.

The claimant may include any additional documents supporting the statement of claim.

(2) A 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 [www.nasd.com] www.finra.org. In completing the Claim Information Form, the claimant may attach an electronic version of the statement of claim, and any additional documents supporting the statement of claim, to the form[, provided it does not exceed 50 pages]. Once this online form has been completed, [an NASD] a FINRA Dispute Resolution Tracking Form will be generated and displayed for the claimant to reproduce as necessary. The claimant shall then file with the Director the rest of the materials required in

subparagraph (1) of the rule, along with a hard copy of the [NASD] FINRA Dispute Resolution Tracking Form.

(b) – (d) No change.

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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

FINRA is amending its Customer Code and Industry Code to remove the 50-page limit on Statements of Claim filed through the System, to allow parties to submit exhibits to Statements of Claim through the System, and to reflect the new FINRA name. The proposed rule change is intended to encourage more claimants to use online filing. The System will not have any limitation on the number of pages submitted so long as they are submitted as a single document.

To begin an arbitration, a claimant submits a signed and dated Uniform Submission Agreement, a Statement of Claim specifying the relevant facts and remedies requested, any exhibits supporting the Statement of Claim, and the required fees. When a claim is filed in hard copy, the claimant is required to submit sufficient copies of the Statement of Claim for the forum, each arbitrator and each other party.

Since August 2004, FINRA has allowed claimants to file an electronic version of the Statement of Claim so long as the submission does not exceed 50 pages. The Statement of Claim may include exhibits if they are part of the same document and the total number of pages is no more than 50. Claimants who file online also complete an online Claim Information Form containing details about the names and addresses of the parties and their counsel, the issues in controversy, and so forth. Once the Claim Information Form is completed, a Dispute Resolution Tracking Form is generated by the System. Claimants then mail in a signed and dated Uniform Submission Agreement, a copy of the Dispute Resolution Tracking Form, the required fees, and any exhibits. The case is deemed to be filed when all such materials are received.

With electronically filed claims, FINRA staff prints the required copies for the arbitrators and the other parties. The 50-page limit was originally imposed to ensure that FINRA had sufficient resources to process electronic claims efficiently. Having gained experience with electronic filing, FINRA is prepared to process efficiently the additional volume associated with longer Statements of Claim and exhibits.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>6</sup> 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. By removing the page limitation on submissions through the System, the

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<sup>6</sup> 15 U.S.C. 78o-3(b)(6).

proposed rule change will provide investors, and other claimants, with expanded access to the System and will make claim processing more efficient.

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 Act.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>7</sup> and paragraph (f)(3) of Rule 19b-4 thereunder<sup>8</sup> because it is concerned solely with the administration of FINRA.<sup>9</sup> At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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<sup>7</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>8</sup> 17 CFR 240.19b-4(f)(3).

<sup>9</sup> The applicability of Rule 19b-4(f)(3) is limited to matters concerned solely with the administration of a self-regulatory organization. Because this narrowly tailored rule change is limited to relaxing administrative restrictions on the length of documents solely for claims processed online and updating FINRA's name and internet address for purposes of these claims, it meets the Rule 19b-4(f)(3) standard.

#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2007-042 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2007-042. 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 Web site (<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 inspection and copying in the Commission's Public Reference Room, 100 F Street, NE,

Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm. 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-2007-042 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.<sup>10</sup>

Nancy M. Morris  
Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).