



NASAA

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

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June 25, 2020

The Honorable Jeff Merkley
United States Senator
313 Hart Senate Office Building
Washington, DC 20510

Re: The Investor Choice Act of 2019 (S.2992)

Dear Senator Merkley:

On behalf of the North American Securities Administrators Association (NASAA)¹, I am pleased to express support for S.2992, the “Investor Choice Act of 2019,” which prohibits the use of mandatory pre-dispute agreements by broker-dealers and investment advisers that limit investors’ ability to pursue recourse in any forum. Your legislation will significantly benefit the investing public by protecting investors’ ability to pursue claims in the forum of their choice.

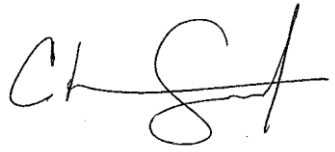
Consumer disputes are typically resolved in court or through alternative dispute resolution processes, including for example, negotiation, mediation, or arbitration. Investor disputes against broker-dealers, however, are resolved in only one forum: arbitration administered by the Financial Industry Regulatory Authority (FINRA). Investors are required to submit to FINRA arbitration and are denied access to the courts because almost all broker-dealer contracts require, pre-dispute (i.e., before a dispute or loss is known), that their customers agree to binding arbitration.

NASAA has long been concerned with the widespread use of mandatory pre-dispute arbitration clauses in customer contracts used by broker-dealers and, where applicable, investment advisers. These “take it or leave it” provisions deny retail investors important choices in resolving disputes with their investment professionals. They also serve as a shield into broader, public insight into potential misconduct by firms and investment professionals. Moreover, investor confidence in fair and equitable recourse is critical to sustaining participation by retail investors in the securities marketplace. Participation by “mom and pop” investors in our capital markets is directly tied to their level of trust and ability to seek recovery if they are victimized by fraud or other unethical conduct.

NASAA strongly supports S.2992, and we look forward to working with you and other members of the Senate to facilitate its consideration and passage. Please do not hesitate to contact me, or Michael Canning, NASAA’s Director of Policy & Government Affairs, at (202) 737-0900, if we may be of any additional assistance.

¹ The oldest international organization devoted to investor protection, the North American Securities Administrators, Inc. was organized in 1919. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, Mexico, Puerto Rico and the U.S. Virgin Islands. NASAA is the voice of securities agencies responsible for grass-roots investor protection and efficient capital formation.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Gerald', with a stylized flourish at the end.

Christopher Gerald
NASAA President and New Jersey Securities Bureau Director