

ATTACHMENT A

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

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2200. COMMUNICATIONS AND DISCLOSURES

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2260. Disclosures

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2263. Arbitration Disclosure to Associated Persons Signing or Acknowledging

Form U4

A member shall provide an associated person with the following written statement whenever the associated person is asked, pursuant to FINRA Rule 1010, to sign an initial or amended Form U4, or otherwise provide written (which may be electronic) acknowledgment of an amendment to the Form U4:

The Form U4 contains a predispute arbitration clause. It is in item 5 of Section 15A of the Form U4. You should read that clause now. Before signing the Form U4, you should understand the following:

(1) No Change.

(2) A claim alleging employment discrimination[, including a sexual harassment claim,] in violation of a statute is not required to be arbitrated under FINRA rules. Such a claim may be arbitrated at FINRA only if the parties have agreed to arbitrate it, either before or after the dispute arose. The rules of other arbitration forums may be different.

(3) No Change.

(4) A party alleging a sexual assault claim or sexual harassment claim that has agreed to arbitrate before the dispute arose may elect post dispute not to arbitrate such a claim under the Code. Such a claim may be arbitrated if the parties have agreed to arbitrate it after the dispute arose.

[(4)](5) Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.

[(5)](6) The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.

[(6)](7) The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.

[(7)](8) The panel of arbitrators may include arbitrators who were or are affiliated with the securities industry or public arbitrators, as provided by the rules of the arbitration forum in which a claim is filed.

[(8)](9) The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.

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13000. CODE OF ARBITRATION PROCEDURE FOR INDUSTRY DISPUTES

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13100. Definitions

(a) through (z) No Change.

(aa) Sexual Assault Claim

The term “sexual assault claim” means a claim involving a nonconsensual sexual act or sexual contact, as such terms are defined in section 2246 of title 18 of the United States Code or similar applicable Tribal or State law, including when the victim lacks capacity to consent.

(bb) Sexual Harassment Claim

The term “sexual harassment claim” means a claim relating to conduct that is alleged to constitute sexual harassment under applicable Federal, Tribal, or State law.

[(aa)](cc) Statement of Claim

No Change.

[(bb)](dd) Statutory Employment Discrimination Claim

The term "statutory employment discrimination claim" means a claim alleging employment discrimination[, including a sexual harassment claim,] in violation of a statute.

[(cc)](ee) Submission Agreement

No Change.

[(dd)](ff) Temporary Injunctive Order

No Change.

[(ee)](gg) Third Party Claim

No Change.

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13201. Statutory Employment Discrimination Claims, [and] Disputes Arising Under a Whistleblower Statute that Prohibits the Use of Predispute Arbitration Agreements, Sexual Assault Claims, and Sexual Harassment Claims

(a) Statutory Employment Discrimination Claims

A claim alleging employment discrimination[, including sexual harassment,] in violation of a statute, is not required to be arbitrated under the Code. Such a claim may be arbitrated only if the parties have agreed to arbitrate it, either before or after the dispute arose. If the parties agree to arbitrate such a claim, the claim will be administered under Rule 13802.

(b) No Change.

(c) Sexual Assault and Sexual Harassment Claims

A party alleging a sexual assault claim or sexual harassment claim that has agreed to arbitrate before the dispute arose may elect post dispute not to arbitrate such a claim under the Code. Such a claim may be arbitrated if the parties have agreed to arbitrate it after the dispute arose. If the parties arbitrate such a claim, the claim will be administered under Rule 13802.

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13402. Composition of Arbitration Panels in Cases Not Involving a Claim of Sexual Assault, Sexual Harassment, or Statutory Employment Discrimination [Claim]

(a) through (b) No Change.

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13510. Depositions

Depositions are strongly discouraged in arbitration. Upon motion of a party, the panel may permit depositions, but only under very limited circumstances, including:

[•](a) To preserve the testimony of ill or dying witnesses;

[•](b) To accommodate essential witnesses who are unable or unwilling to travel long distances for a hearing and may not otherwise be required to participate in the hearing;

[•](c) To expedite large or complex cases;

[•](d) In cases involving claims of sexual assault, sexual harassment, or statutory employment discrimination, if necessary and consistent with the expedited nature of arbitration; and

[•](e) If the panel determines that extraordinary circumstances exist.

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**PART VIII SIMPLIFIED ARBITRATION; DEFAULT PROCEEDINGS;
SEXUAL ASSAULT CLAIMS, SEXUAL HARASSMENT CLAIMS, OR
STATUTORY EMPLOYMENT DISCRIMINATION CLAIMS; AND
INJUNCTIVE RELIEF**

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13802. Sexual Assault Claims, Sexual Harassment Claims, or Statutory Employment Discrimination Claims

(a) Applicability of Rule

This rule applies to arbitrations involving [a claim of] a sexual assault claim, sexual harassment claim, or statutory employment discrimination claim as defined in Rule 13100(aa), (bb), and (dd). Except as otherwise provided in this rule, all provisions of the Code apply to such arbitrations.

(b) Number of Arbitrators

(1) Claims of \$100,000 or Less

If the amount of a claim in a case involving [an] a sexual assault claim, sexual harassment claim, or statutory employment discrimination claim is \$100,000 or less, the panel will consist of one arbitrator.

(2) Claims of More Than \$100,000

If the amount of a claim in a case involving [an] a sexual assault claim, sexual harassment claim, or statutory employment discrimination claim is more than \$100,000, the panel will consist of three arbitrators, unless the parties agree in writing to one arbitrator.

(c) Composition of Panel

(1) through (2) No Change.

(3) Special [Statutory Discrimination] Claim Qualifications

A single arbitrator or chairperson of a three-arbitrator panel in a case involving a sexual assault claim, sexual harassment claim, or statutory employment discrimination claim must have the following qualifications:

(A) through (D) No Change.

(4) No Change.

(d) No Change.

(e) Awards

The panel may award any relief that would be available in court under the law.

The panel must issue an award setting forth a summary of the issues, including the type(s) of dispute(s), the damages or other relief requested and awarded, a statement of any other issues resolved, and a statement regarding the disposition of any [statutory] claim[(s)] of sexual assault, sexual harassment, or statutory employment discrimination.

(f) No Change.

13803. Coordination of Sexual Assault Claims, Sexual Harassment Claims or Statutory Employment Discrimination Claims Filed in Court and in Arbitration

(a) Option to Combine Related Claims in Court

(1)(A) If a current or former associated person files a sexual assault claim, sexual harassment claim, or statutory employment discrimination claim in court against a member or its associated persons, and asserts related claims in arbitration at FINRA against some or all of the same parties, a respondent who is named in both proceedings may, upon motion, compel the claimant to bring the related arbitration claims in the same court proceeding in which the sexual assault claim, sexual harassment claim, or statutory employment discrimination claim is pending, to the full extent to which the court will accept jurisdiction over the related claims.

(B) No Change.

(2)(A) If a member or current or former associated person ("party") has a pending claim in arbitration against a current or former associated person and the current or former associated person thereafter asserts a related sexual assault claim, sexual harassment claim, or statutory employment discrimination claim in court against the party, the party shall have the option to assert its pending arbitration claims and any counterclaims in court.

(B) through (C) No Change.

(b) Option Extended When Claim is Amended

(1) If the claimant files an amended statement of claim adding new claims not asserted in the original statement of claim, a respondent named in the amended statement of claim may, upon motion, compel the claimant to assert all related claims in the same court proceeding in which the sexual assault claim, sexual harassment claim, or statutory employment discrimination claim is pending, to the full extent that the court will accept jurisdiction over the related claims, even if those related claims were asserted in the original statement of claim.

(2) No Change.

(c) through (f) No Change.

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