

July 14, 2008

The Honorable Linda Sanchez  
Chair  
Commercial and Administrative  
Law Subcommittee  
Committee on the Judiciary  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Chris Cannon  
Ranking Member  
Commercial and Administrative  
Law Subcommittee  
Committee on the Judiciary  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chair Sanchez and Ranking Member Cannon:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> strongly opposes H.R. 3010, the Arbitration Fairness Act, as it would effectively abolish pre-dispute arbitration agreements as a way to quickly, efficiently and fairly resolve consumer disputes. Moreover, the bill would undermine a unique and highly evolved dispute resolution tool with a proven track record of outstanding service to investors – the securities arbitration forum.

Securities arbitration is a system that works well to resolve disputes between investors and securities firms. It is closely regulated by the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). Rigorous oversight of securities arbitration by the SEC and FINRA has resulted in numerous procedural safeguards that protect investors and ensure fairness. A few examples of such safeguards include: arbitrators must provide and update extensive biographical disclosures, including employment history, training, conflicts and associations with industry members, and arbitrators must disclose their awards in prior cases. Investors are involved in selecting arbitrators and arbitration panels. Sanctions are available against securities firms for failure to comply with the Code of Arbitration Procedure, and disciplinary referrals may be made to regulators for potential violations of federal securities laws. Investors are also assured a hearing will take place at a location close to their residence.

Last October, SIFMA, in conjunction with its Compliance and Legal Division, released a comprehensive white paper on arbitration in the securities industry that demonstrates the timely, cost-effective, and fair

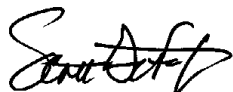
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<sup>1</sup> The Securities Industry and Financial Markets Association brings together the shared interests of more than 650 securities firms, banks and asset managers locally and globally through offices in New York, Washington D.C., and London. Its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong. SIFMA's mission is to champion policies and practices that benefit investors and issuers, expand and perfect global capital markets, and foster the development of new products and services. Fundamental to achieving this mission is earning, inspiring and upholding the public's trust in the industry and the markets. (More information about SIFMA is available at <http://www.sifma.org>.)

results the forum has delivered to investors for over 30 years.<sup>2</sup> On average, disputes are resolved much faster and at far lower cost to customers in the securities arbitration fora than in comparable court cases. This allows participants to resolve a dispute, without the often all-consuming, years-long battles of traditional litigation.

Securities arbitration allows investors to pursue small claims, provides a friendly forum for investor claimants who chose to represent themselves, lowers overall costs borne by investors and securities firms, and secures the oversight of expert regulators, all within a framework that is specifically designed for investor claims and has demonstrated fairness for decades. Prohibiting pre-dispute arbitration agreements would simply produce more protracted, costly litigation, driving up transaction costs for everyone, even those who continue to use arbitration. This result would not serve the best interests of investors or the U.S. capital markets. Accordingly, we strongly oppose H.R. 3010 and urge you to do so as well.

Sincerely,



Scott DeFife  
Senior Managing Director  
Government Affairs



Richard Hunt  
Senior Managing Director  
Government Affairs

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<sup>2</sup> See WHITE PAPER ON ARBITRATION IN THE SECURITIES INDUSTRY: *The success story of an investor protection focused institution that has delivered timely, cost-effective, and fair results for over 30 years* (October 2007).