



August 2, 2013

The Honorable Keith Ellison  
2244 Rayburn House Office Building  
Washington, DC 20515

Re: The Investor Choice Act of 2013

Dear Congressman Ellison:

We are writing to commend you for introducing the Investor Choice Act, which would prohibit the use of pre-dispute binding mandatory (or forced) arbitration clauses in contracts that investors enter into with broker-dealers and investment advisers. Most investors seeking brokerage and other financial advisory services are forced to surrender their right to resolve disputes with broker-dealers in court. Your legislation will restore investors' ability to choose the forum to resolve disputes, after the dispute arises. Investors will be able to seek redress in court, private arbitration or any other dispute resolution system, based on which best serves their needs.

Today, investor disputes against broker-dealers are resolved in arbitration administered by Financial Industry Regulatory Authority (FINRA), an industry-run regulatory body. Almost all broker-dealer contracts that investors enter into as a condition to obtaining brokerage services contain forced arbitration clauses. Investors are forced to resolve disputes with their broker-dealers in FINRA arbitration and are denied the ability to pursue their claims in court. Increasingly, investment advisers are also inserting forced arbitration clauses in the fine print of their contracts with their investor clients.

Our organizations have long observed the harmful impact of forced arbitration on consumers and investors. Arbitration forums are controlled by industry bodies that write the rules for the process which provides little or no opportunity for judicial review of arbitrators' mistakes. More recently, forced arbitration is also shielding corporations from accountability for misconduct affecting a large number of consumers because many arbitration clauses are increasingly prohibiting class actions as well. Currently, Charles Schwab Corp. and FINRA are locked in a dispute over whether Schwab may use class action bans in its investor contracts.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted to restore confidence and accountability in the financial markets, included numerous provisions to protect consumers from abusive financial services practices. One of those provisions, Section 921 of the Dodd-Frank Act, reflects broad concern in Congress over the increasingly widespread and harmful impact of forced arbitration in broker-dealer and investment adviser contracts. It grants the Securities and Exchange Commission (SEC) authority to limit or prohibit these provisions. Given the immediate threat

forced arbitration poses to investors, we are hopeful the SEC will act on this important mandate. However, your legislation will restore ordinary investors' ability to consider all available forums to seek redress.

Congress has passed laws to ban forced arbitration for disputes involving auto dealers in their transactions with manufacturers, poultry and livestock producers, and certain employees of federal contractors. Congress must also act to prohibit forced arbitration for millions of ordinary investors. We look forward to working with you and your colleagues in Congress to pass this important legislation.

Sincerely,

American Association for Justice

Americans for Financial Reform

Center for Justice & Democracy

Consumer Federation of America

Consumers for Auto Reliability and Safety

D.C Consumer Rights Coalition

Homeowners Against Deficient Dwellings

National Association of Consumer Advocates

National Association of Shareholder and Consumer Attorneys

National Employment Lawyers Association

North American Securities Administrators Association

Public Citizen

U.S. PIRG (federation of state Public Interest Research Groups)