

Industry Arbitration Claims Spike as Coronavirus Disruptions Continue, *InvestmentNews*, ft. Daniel Hetzel

Daniel A. Hetzel, KD partner in the financial services practice group was quoted in this InvestmentNews article written by Mark Schoeff, Jr. published on May 21, 2020.

Promissory note cases lead the way, signaling potential 'employment upheaval.'

Industry arbitration claims spiked during the first four months of the year, an indication that widespread disruptions caused by the COVID-19 pandemic are leading to disputes between registered representatives and brokerages, experts say.

Dispute resolution statistics posted on the Financial Industry Regulatory Authority Inc.'s website show 569 intra-industry case filings through April compared to 447 at the same time last year, an increase of 27%.

Many have been anticipating a significant increase in customer complaints against brokerages due to market volatility related to the coronavirus outbreak. But that surge hasn't materialized so far.

There have been 663 customer claims filed against brokerages, representing 54% of the 1,232 total cases filed. That is a 7% decrease for the category from last year. Industry disputes comprised 46% of all cases. The total number of arbitration claims filed through April was 6% higher than last year.

Industry cases have jumped out ahead of customer cases because the latter take more time to develop as investors review their returns and assess their financial situation, arbitration experts said.

Industry disputes crop up faster as firms shed brokers and as brokers migrate to new firms during the pandemic.

There may also be a cause for the jump in intra-industry disputes that's not related to the virus, said Daniel Hetzel, a partner at Kaufman Dolowich & Voluck. He pointed out that registered reps are continuing their push to clear customer disputes from their records before Finra changes the rules to tighten the expungement process.

They're filing expungement cases with themselves as the claimant and brokerages as the respondent to get them into the arbitration system quickly, Hetzel said.

"It's the only way you're going to get this issue in front of a Finra [arbitration] panel because you need someone on the other side," he said. "That is more a function of the regulatory environment as opposed to the coronavirus crisis."