



**Lance F. Drummond**  
Audit Committee Chairman  
FINRA Board of Governors

**Statement of the FINRA Board of Governors Audit Committee on the  
Report of the Independent Review of FINRA’s Dispute Resolution  
Services – Arbitrator Selection Process  
June 28, 2022**

On February 18, 2022, the Audit Committee of the FINRA Board of Governors (“Audit Committee”) engaged Christopher Gerold and the law firm Lowenstein Sandler LLP to conduct an independent review of how FINRA Dispute Resolution Services (DRS) complied with its rules, policies, and procedures for arbitrator selection in the Leggett v. Wells Fargo Clearing Servs., LLC arbitration proceeding, whose award was vacated on January 25, 2022 by the Superior Court of Fulton County, Georgia. Mr. Gerold, a partner in Lowenstein’s Securities Litigation and Corporate Investigation & Integrity Practice groups, previously served as Chief of the New Jersey Bureau of Securities and as President of the North American Securities Administrators Association.

The Committee asked Lowenstein Sandler, in addition to reviewing how the arbitrator selection process was carried out in this case, to determine whether any improvements to the FINRA DRS arbitrator selection process may be warranted.

We are today publicly releasing the report of the results of this independent review, as we committed to when we [first announced the Lowenstein Sandler engagement](#).

In conducting its review, Lowenstein Sandler reported directly to the Audit Committee of the FINRA Board of Governors. Under the supervision of the Audit Committee, the firm independently developed and executed the investigative plan, which included the review of over 150,000 documents, emails and phone records; 29 interviews; and a review of the operation of the computer system used in the arbitrator selection process and relevant case data.

On conclusion of this process, on June 22, 2022, the Audit Committee reviewed the report with the FINRA Board of Governors.

The Committee acknowledged the thoroughness of Lowenstein Sandler’s review and accepted the Report’s findings including that there was no agreement between FINRA

and the parties in the arbitration selection process that prompted the review, that FINRA personnel generally adhered to DRS policies and procedures and that FINRA is continually striving to make arbitration processes more transparent and uniform for arbitration participants. The Committee, however, recognized that there are nonetheless opportunities to improve the policies, procedures and training related to the arbitrator selection process, as the firm recommended.

The FINRA Board of Governors is committed to the continual improvement of all FINRA operations, including DRS, and has directed FINRA management to implement the recommendations contained in the report. FINRA management agrees with the recommendations and has committed to deliver a plan for implementation to the Board. The Audit Committee will monitor management's progress in implementing these recommendations going forward.

We appreciate the independence, candor and expertise of Lowenstein Sandler and Christopher Gerold who led the firm's review. We also thank Michelle Goldman, Ana Jara and Rachel Maimin of Lowenstein Sandler for their tireless efforts in conducting the investigation and preparing the comprehensive report.

Members of the Audit Committee:

Lance F. Drummond, Chair

Jack B. Ehnes

Linde Murphy

Eileen K. Murray