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WSJ: FINRA Mulls Insurance for Brokerage Firms.

The U.S. Financial Industry Regulatory Authority may require brokerage firms to carry insurance to cover the payment of arbitration awards to investors, the Wall Street Journal reported on Saturday.

FINRA, Wall Street's industry-funded watchdog, will consider whether brokerage firms should be required to have "errors and omissions" insurance, which can cover legal claims, said Susan Axelrod, FINRA's executive vice president of regulatory operations, according to the newspaper.

Insurance could help reduce the number of brokerage firms that shut down without paying awards or other legal claims owed to investors.

FINRA said \$51 million of arbitration awards granted in 2011 had not been paid, or 11 percent of the total awards, up from 4 percent in both 2009 and 2010, according to the Journal.

A spokesman for the Securities and Exchange Commission, which oversees FINRA, said net capital rules ensure brokerage firms can return investor assets if the firm fails, according to the newspaper.