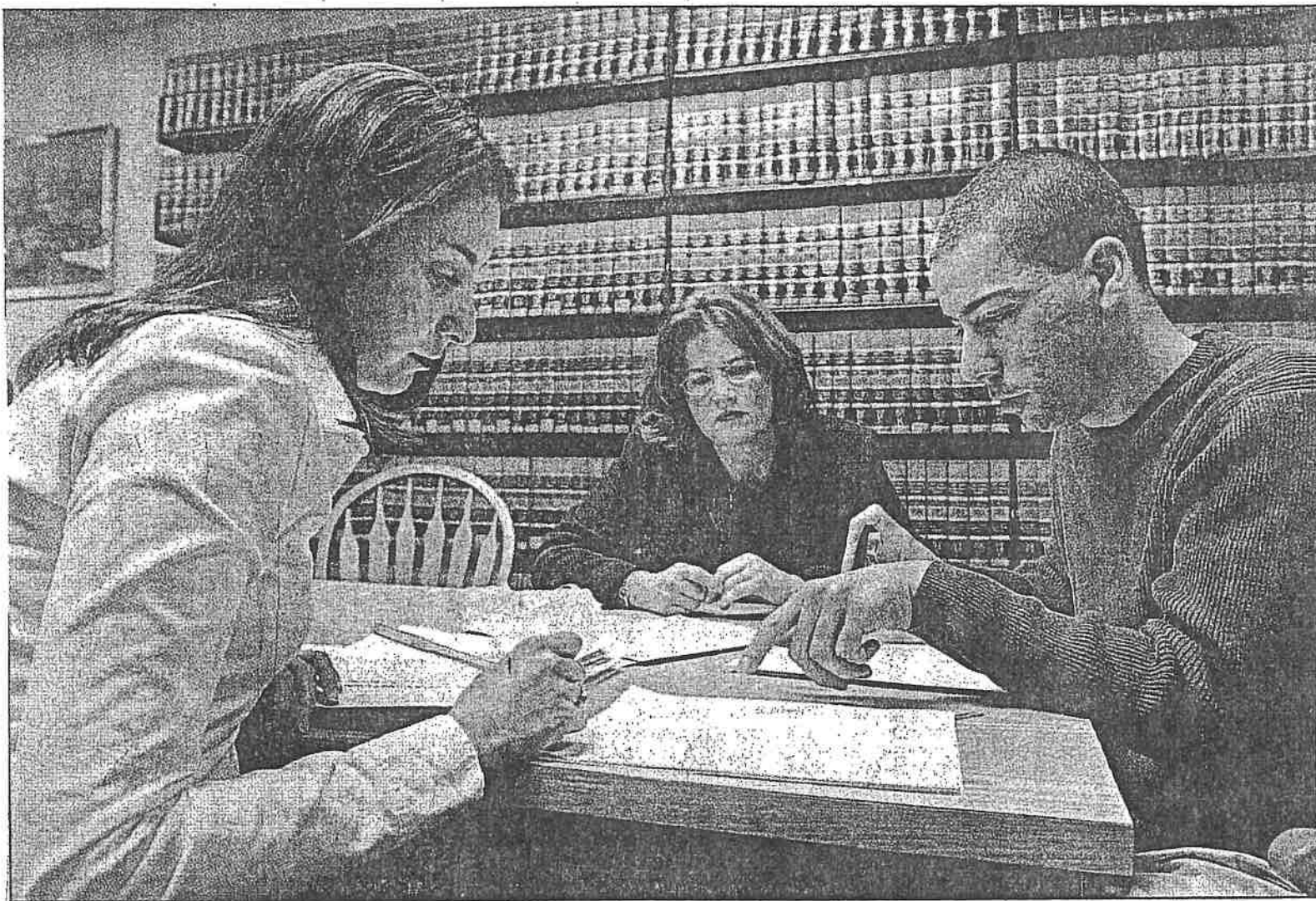


Business

“It’s a broker’s duty not to mislead a client.”

Rochanne Sharei, a third-year law student at Pace University



Dave Kennedy/The Journal

Pace University School of Law students Rochanne Sharei, left, and Colin Smith discuss cases with Jill Gross, faculty supervisor of the Securities Arbitration Clinic. The clinic received about 140 inquiries from investors during the 2001-2002 school year, and the number will likely be higher this year.

Arbitration preparation

Jerry Gleeson
 The Journal News

WHILE PLAINS with the stock market down for three years in a row, it's not surprising that a lot of investors are feeling misled by their brokers.

"We've been busy," said Jill Gross, faculty supervisor of the Securities Arbitration Clinic at Pace University School of Law.

With many investments soured, brokers are being taken before arbitration boards in record numbers. The number of cases filed with the National Association of Securities Dealers last year was up by 11.4 percent, an increase for the second year in a row.

Damage awards are up, too. Last year panels handed down \$139 million in judgments, up from \$97 million in 2001. Collecting on awards historically is a problem, however. The General Accounting Office said in 2000 that 49 percent of arbitration awards won by investors in 1998 had gone unpaid.

For small investors, the problems are multiplied. Attorneys

who customarily get one-third of an award are reluctant to handle disputes over lost investments that may not amount to more than a few thousand dollars. Small investors who press their cases have found themselves outgunned at arbitration hearings by savvy lawyers representing the brokers.

Arthur Levitt, the former chairman of the Securities and Exchange Commission, acknowledged the problem in 1997 when he unveiled a campaign to have law schools set up clinics staffed by students for low- and middle-income investors with complaints about brokers. Pace, in White Plains, was the first school to do so.

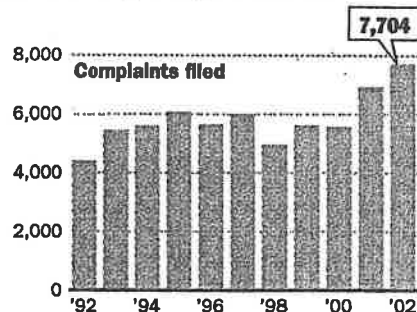
In the 2001-2002 school year, the Pace clinic received about 140 inquiries from investors. It's close to topping that number this year, Gross said.

Most callers are turned away for a variety of reasons. In some cases the brokers they were dealing with are not registered with the NASD or the New York Stock Exchange.

Barbara Black, the co-director of the clinic, said the NASD and NYSE can only enforce ar-

Making a case over lost investments

The number of complaints that investors have taken to arbitration panels has grown in the last two years. The most common outcome last year: the parties directly settled their differences.



Cases decided by arbitrator	
After hearing	1,463
After review of documents	443
Cases resolved by other means	
Direct settlement by parties	2,204
Settled via mediation	752
Withdrawn	547
All others	489

Source: National Association of Securities Dealers Yvonne Lin/The Journal News

bitration decisions on their own members.

"They're heartbreaking, because you have to tell them there's nothing they can do," Black said.

In other cases it's clear the consumer has lost money in an investment, but the broker has done nothing wrong. An investment that heads south, in and of itself, is not enough to sustain

Pace University law school clinic offers help to low- and middle-income investors who believe they have been wronged by their brokers

an accusation.

The clinic typically examines certain questions when deciding whether a broker has misbehaved. Was the investment suitable for the client? A retiree looking for fixed income, for example, doesn't belong in tech stocks or aggressive growth mutual funds.

Law students also will look for evidence of churning, the practice of making unnecessary trades in order to charge larger commissions and fees. They also look for unauthorized trading or misrepresentations of investments — telling a client a company's earnings were up when they actually were down.

"It's a broker's duty not to mislead a client," said Rochanne Sharei, a third-year law student and one of eight who work at the clinic. "There's definitely a lot of people who are very unsophisticated. They don't know what they're doing. ... They really rely on their brokers. They know something went wrong, but they usually don't know what."

Some investors come in to

Please see **ARBITRATION, 6D**

Arbitration clinic helps investors

ARBITRATION, from 1D

the clinic with shopping bags containing unopened mail containing brokers' statements.

"They feel guilty. 'How could we have done this?' They're kicking themselves," Black said. "Sometimes it's hard to get the people to talk about it."

This year the clinic began getting help in its cause from Pace's Lubin School of Business. A Lubin student, as part of an independent study project, works with the clinic in researching financial statements for clients and providing the law students with business expertise they may not have themselves.

A number of cases are settled before an arbitration hearing. Last year the clinic was able to get a \$15,000 investment returned to one client who had lost it to a "run-away" broker working for a large firm based outside the area, Black said.

For some investors who walk away from the process with less than they hoped for, there is some consolation. Just having a claim heard can provide some satisfaction.

"Many of them say, 'At least you took the time to explain to me what happened,'" Black said.

Reach Jerry Gleeson
at jgleeson@thejournalnews.com
or 914-694-5026.

How to get help

The Securities Arbitration Clinic at Pace University Law School can consider representing investors who meet the following criteria:

- Your household annual income cannot exceed \$75,000.
- Your claim cannot exceed \$50,000.
- You cannot have any major assets except your home and car.
- You must have consulted three attorneys, who have declined to represent you because of the amount or nature of the claim, or a legal referral service that certifies you are unlikely to get representation on a contingency basis.
- You must have lived in the New York metro area during the time of the challenged transactions.

The clinic can be reached at 914-422-4333.

Other regional clinics

Two other securities arbitration clinics are also available in the region:

Brooklyn Law School, 718-780-7994
Fordham University School of Law, 212-636-7231

Sources: NASD, Pace University School of Law