A Deep Dive into "FINRA Awards"

If you want to skip all the blah, blah, blah below, here is the analysis link:
https://myprelim.finance/analysis/

Our latest data analysis adventure has taken us into the deepest depths of FINRA Awards.

The initial objective was to analyze the history and performance of Arbitrators so you could properly analyze, rate and critique them.

But so much other information became available that we just had to analyze the data and put it online for you to review.

To get here, we had to collect a hell of a lot of data from just a few limited sources. We only had the FINRA website, the attached PDF file, and BrokerCheck.   Additionally you get your FINRA Arbitrator list - which shows Arbitrator data - but we can't get that Arb background data online.

If you go to the below site you will see their "Arbitration Awards Online" information.

https://www.finra.org/arbitration-mediation/arbitration-awards-online

In geek speak, we "scraped" all this data from their site - going all the way back to 2008.

Their website information does not tell you much, but it does include the very important link to a PDF file with the actual Award.

Those PDF files are the golden ticket. They provide the actual award information and details like the nature, representing parties, case information, case summary, awards, fees, rulings, finding and most importantly, amounts.

There is no way for you to "search" for the data in these online PDFs. You can only find information if you take the time to open the link and manually read the PDF.

The first step was to store all the text from those PDF files in our database so we could make it all instantly searchable for you.

Initially we thought we could just "read" the FINRA PDF data but they were not anything close to what we would define as being of "acceptable quality" or "reliable." It was "garbage in - garbage out" for an unacceptable amount of files - especially pre-2020.

In the end (after wasting a lot time trying to edit the bad data) we had to actually download ALL their PDF files and then properly reprocess them with our current technology.

Only after this data conversion adventure could we finally start to analyze the Award data.

But enough about how the sausage got made. So how did we get the data?

Luckily, the majority of the FINRA Award documents use a similar formatting style - giving us specific word patterns to search for using special software.

Winning Percent

Industry: 58%

Investors: 41%

For some things like the "Nature" of the Dispute it was very straightforward. We could just search for all the words (in blue) between two specific word strings (purple):

"Nature of the Dispute: Customer vs. Member REPRESENTATION OF PARTIES "

Not all the data collection was so simple. Every arbitrator has their own independent writing style - so we had to engage in a lot of "data triage" for things like the "Decisions" and "Awards." That data is far less dependable once the Arbs went free range.

We specifically focused on the "Nature" and the "Decisions." Decisions primarily came down to three main categories: Award, Dismissed and Expungement.

Our motivation is always about helping the public and the "Individual Investor." To us, that is not what FINRA defines as a "Customer." (Especially because of expungements.)

So we created what we called the "Investor" nature. The distinction between their "Customer" and what we define as an "Investor" is very important. Getting there takes multiple steps.

First we had to separate by what they call the "Nature of the Dispute." Of the 20,000 Awards, 8,600 have a status of "Customer." (Almost 55% of the actions were by the Industry against itself.)

Second, we found a notable percentage of "Customers" were corporate entities or things like companies, corporations and LLC's. So we removed another 500.

Third, for some reason "Expungements" are classified under "Customer" nature - so that removes another 2,000.

In the end we were left with around 6,200 of our "Investors".

At this point we could finally get to work and analyze data.
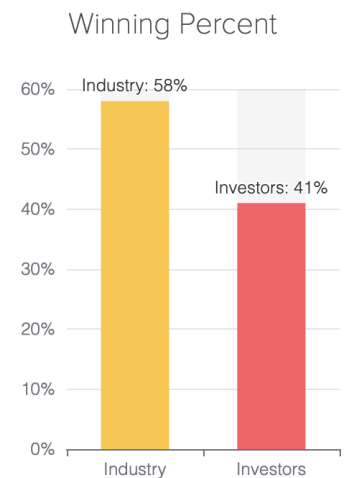
Based on the "Investor" data, we calculate the Industry is winning **59% vs. 41%** for Investors**.**

Sadly, the "Requested" and "Award" amount data was not as solid as we would have hoped.

A high percent of claims do not even quote a damage amount and often the request is very vague. Or worse, those just using the term "to be determined" or "unspecified."

Overall, "Damage Requests" were not what we would call "reliable" or "hard" data.

We wanted to answer the question on want percent of the request amount was actually awarded to Investors. A "Dollar Award Ratio". Results did not yield a trustworthy data.

But if we were forced to give you a number - Awards would be approximately 50% of the Requested Amount. Arbitrators like to "split the baby." Around 20% of the awards were for the actual requested amount.

A 40% chance of winning with a 50% Requested Award amount = 20% Return. Not bad - if you are on the Industry side of the table. Steal $100 and only have to give back $20 - when (and if) caught.

But again, we don't like this Request/Award data because of the wording of both the "Requests" and the "Awards."

And let's face it, Requests are often not based in actual damages. Or in some cases in reality - like the request for $57,165,259,439,025,500 in damages. Award Link

When looking at the "Requests" and "Award" amounts - we only used the first instance. So if there were multiple Awards listed - this value might not represent the actual "Total" amount. This is just "First" amount found.

Only way to get to the true number from the available data would be to manually edit the Award amounts or write some AI code. (Or have access to the FINRA database.)

Depending on a several different variables - we found less than a 2% chance of Punitive Awards. (Some of them were obviously symbolic and uncollectible.)

Over 10% of the Customer cases were filed "Pro Se" but the rate is increasing. Pro Se cases have around a 20% chance of winning.

The typical "Investor" case takes 500 days to go from filing date to award date. Pre-Covid is was around 450. At Covid high point it was up to 625 days..

60% of the Cases pay less then $5,000 in Hearing Fees. 20% pay between $5k and $10k.

For Customers, Average Investor request was around $150,000. 75% of Investor requests were below $500,000. There are over 500 cases of the Industry taking actions against the Customer. Over 800 Court actions. 30% of total Awards involved Expungement.

We are also able to do word searches within all the files. Over half include the word "Expunge". Over 500 mentioned "Deceased".   A huge surge in "Rule 2080" being mentioned. 1,500 for "Annuity". 2,000 for "Theft." There is a substantial grown in the claims naming "Annuities" and especially "Options".

We looked for many trends in the data and many trends are shocking.

Or we can analyze individual firms. UBS Financial (13%) has the most actions followed by Merrill Lynch (11%). Wells Fargo was has seen a huge drop since 2017 when it was topping the most cases list. Robinhood is 32 for 37 (wins 85%). 50% of the cases are filed Pro Se against them. Only 2 Pro Se had awards. Total awards of only $85k.

To try to get a grip on the great mystery of "Settlements" - we took the maximum Award ID number for a year and then subtracted the number of actual Awards. Example, if the highest Doc ID found is #20-04226 and there are 1,640 actual awards (2020) - that represents 2,586 unaccounted numbers. We can only assume they are settlements?

So if our theory is correct, roughly 70% of claims are settled. Although, no way to know if they are "Customer", "Member" or "Investor" claims. (Yet.). The settlement rate seems to be slightly declining.

Just a few more off-the-cuff observations.

If almost 70% of the cases settle (which means they are not listed on BrokerCheck) and defense wins over half of the actual arbitrations (which means they may get expunged) - that means that possibly 85% of all the actions/misdeeds/grievances/complaints/arbitration actions against brokers NEVER show up on BrokerCheck.   (BrokerCheck will be the subject of a future White Paper.)

Please note that because of extreme swings in the data (ie. volatility) we are mostly using "median" values as oppose to "mean" averages.

Admittedly, many assumptions have been made. Often the data is comparing Apples to Oranges. Example, we have detected 3 or 4 different naming patterns for the arbitrators. We even had to resort to using "fuzzy logic" code when trying to compare Arb names.

But, given the large sample sizes the data should be statistically "in the ballpark" and this is just meant to be a down 'n dirty analysis.

Based on the quality and formatting of the FINRA data, we would be happy with an overall +90% rate of accuracy. Pre-2018 less than 90%. 2010 and before about 75%.   This is not

due to our work but the data we had to work with. We could increase the accuracy rate by narrowing the result to the most current data.

While we might classify a file as having an "error" status for this analysis - the PDF data is still readable for searches. We "errored" on the side of caution.

FINRA has made really solid improvements over the years in the quality and formatting of their PDF data. Going forward we expect much better (or even 100%) accuracy. (They obviously upgraded their office hardware about 2 years ago.)

The programming code used by the FINRA is far superior to the coded used by the SEC. Yes, we have also collected all the SEC Awards and Actions going back to 2016. So you can also see if your matter also has SEC involvement.

This is the sort of project where we could spend many months tweaking and editing - but no one is funding this research effort. So we have to draw the line somewhere and eventually pull the plug. We are continuing to perfect the code for the Search abilities.

We are very willing to make this data an "open source" project and share the results.

We are also happy to accommodate any special requests, like we know there is an interest in "12206" actions. (Expungements are a thirds of the total activity.)

Point of Interest. If an Expungement was successful and the information is removed from the Broker's CRD - we will still see the broker's name in our database. They don't "Expunge the Expungement." And even if they took something offline - we would still have it stored in our database. This is a great backdoor in cases where there are skeletons hiding in the broker's closet.

One thing we did pick up is that the information on the FIRNA website is not always the same as the PDF data.

ALWAYS read their PDF link! Especially for Discipline actions via their "BrokerCheck" service. (Yes, we also have written code to read the BrokerCheck data.)

In summary, we now have over 20,000 FINRA Awards, 40,000 arbitrators "hits" and over 7,200 unique arbitrator names in our database going back 15 years and that information is instantly accessible.

We can tell you things like a mediator by the name of Robert E. Anderson is the world record holder with 170 arbitrations - 35 of them in 2022 alone.   Out of 47 "Customer" cases he only made 9 Awards - along with 22 Expungements. His Customer Award Ratio is 36%. He has awarded Attorney Fees 8 times - mostly to Industry.

The average Arb case rate is 5 times.

It is not our purpose to draw any conclusions, but one thing we found interesting is the low retention rate of arbitrators. 35% of the total Arbs only served once and another 20% served only twice. Over 80% of Non-public arbitrators only show up once.

On the other hand, a few folks like Mr. Anderson have turned it into a second career.   5% of Arbs have sat in over 20 cases. 15 have served on over 75 cases.   (We need more data to analyze the Arb's ages which have to be well north of 60 on average.).

While your FINRA Arb List might show you all the cases the Abr's sat on - it won't show you the most important information like the decisions, awards or amounts. The PDF data does. We can even look for Arbs with things like any Attorney Fees awarded or god forbid, Punitive damages.

We also can break apart the Arbs actions - Industry vs. Customer cases - to look for any biases. An Arb might have given 5 awards - but for whose side?

This data can even do more extreme searches. You want to see all past cases handled by opposing counsel? Simple. You want to know all Awards against a specific firm in a certain city? Can. This is far bigger than just doing Arb searches and your basic broker hunt'n - so don't limit your imagination.

We doubt the FIRNA data has ever been analyzed like this before - especially not publicly. It is our honor to share this data with you. If anyone finds error our response is simple - have FINRA give us access so we don't have to depend on their poor quality PDFs.

We have created multiple pages of the data with lots of charts and schedules for your review.

https://myprelim.finance/analysis/

(Please allow pages time to load…it is a lot of data.)

Not only do we now have all the FINRA Award/Arbitrator data but as mentioned above, we also have all the SEC data.

So we are very proud to announce that our "Arbitrator" Search Service is also now online for your use. (See same website referenced above for links.)

Additionally, we even created a way for you to directly input your FINRA Arbitrator List directly into the system and instantly get back all the data on the arbitrators.

Here is an example or a single Arb search: https://www.myprelim.finance/finra/arbitrator/

This system should cut your arbitrator research time in half and provide you far more data.

The power of what databasing all this data does is amazing and should not be underestimated! For Arbitrator research - it should cut your time in half while providing much more critical and valuable data.

Plus it can do all sorts of things like give you a few charts, print out reports and even gauge performance.

This award/arbitrator data will be updated monthly.

AS ALWAYS, our work is only available to Pro-Investor attorneys. No Defense is ever allowed. (And anyone sharing with them will be blacklisted.)

And like we stressed in our last White Paper - current technology needs to be taken advantage to help investors. **Not doing so is a form of malpractice**. This is just another example of what can and needs to be done.

AND AGAIN, STOP paying insane amounts for what has become easily readable digital data! No one should ever pay $1K (or more) for the data analysis on any account again.

Finally, we are far from done doing our digital dumpster diving of FINRA data. More adventures to follow very shortly...

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