

113TH CONGRESS  
1ST SESSION

# H. R. 2998

To amend the Securities Exchange Act of 1934 to prohibit mandatory pre-dispute arbitration agreements, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

AUGUST 2, 2013

Mr. ELLISON introduced the following bill; which was referred to the  
Committee on Financial Services

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## A BILL

To amend the Securities Exchange Act of 1934 to prohibit mandatory pre-dispute arbitration agreements, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Investor Choice Act  
5 of 2013”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

8 (1) Investor confidence in fair and equitable re-  
9 course is essential to the health and stability of the

1 securities markets and to the participation of retail  
2 investors in such markets.

3 (2) Brokers, dealers, and investment advisers  
4 hold powerful advantages over investors, and manda-  
5 tory arbitration clauses, including contracts that  
6 force investors to submit claims to arbitration or to  
7 waive their right to participate in class actions, le-  
8 verage these advantages to severely restrict the abil-  
9 ity of defrauded investors to seek redress.

10 (3) Investors should be free to choose arbitra-  
11 tion to resolve disputes if they judge that arbitration  
12 truly offers them the best opportunity to efficiently  
13 and fairly settle disputes, and investors should also  
14 be free to pursue remedies in court, should they view  
15 that option as superior to arbitration.

16 **SEC. 3. ARBITRATION AGREEMENTS IN THE SECURITIES**  
17 **EXCHANGE ACT OF 1934.**

18 Section 15(o) of the Securities Exchange Act of 1934  
19 (15 U.S.C. 78o(o)) is amended to read as follows:

20 “(o) LIMITATIONS ON PRE-DISPUTE AGREE-  
21 MENTS.—Notwithstanding any other provision of law, it  
22 shall be unlawful for any broker, dealer, funding portal,  
23 or municipal securities dealer to enter into, modify, or ex-  
24 tend an agreement with customers or clients of such entity

1 with respect to a future dispute between the parties to  
 2 such agreement that—

3 “(1) mandates arbitration for such dispute;

4 “(2) restricts, limits, or conditions the ability of  
 5 a customer or client of such entity to select or des-  
 6 ignate a forum for resolution of such dispute; or

7 “(3) restricts, limits, or conditions the ability of  
 8 a customer or client to pursue a claim relating to  
 9 such dispute in an individual or representative ca-  
 10 pacity or on a class action or consolidated basis.”.

11 **SEC. 4. ARBITRATION AGREEMENTS IN THE INVESTMENT**

12 **ADVISERS ACT OF 1940.**

13 Section 205(f) of the Investment Advisers Act of  
 14 1940 (15 U.S.C. 80b–5(f)) is amended to read as follows:

15 “(f) Notwithstanding any other provision of law, it  
 16 shall be unlawful for any investment adviser to enter into,  
 17 modify, or extend an agreement with customers or clients  
 18 of such entity with respect to a future dispute between  
 19 the parties to such agreement that—

20 “(1) mandates arbitration for such dispute;

21 “(2) restricts, limits, or conditions the ability of  
 22 a customer or client of such entity to select or des-  
 23 ignate a forum for resolution of such dispute; or

24 “(3) restricts, limits, or conditions the ability of  
 25 a customer or client to pursue a claim relating to

1       such dispute in an individual or representative ca-  
2       pacity or on a class action or consolidated basis.”.

3 **SEC. 5. EFFECTIVE DATE.**

4       This Act, and the amendments made by this Act,  
5 shall take effect on the date of the enactment of this Act  
6 and shall apply to any agreement created, modified, or ex-  
7 tended after the date of enactment of this Act.

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