LOEB & LOEB LLP

Securities Litigation and Enforcement

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What Will 2015 Look Like? Trends in the Securities Industry

by Jerry Phillips, Partner

While it's still only January (at least for a few more days) and people are still greeting each other with "Happy New Year," it's never too early to look into the future to see how the year might unfold in the securities industry. Here are some trends and predictions for early 2015:

- Increased regulatory scrutiny of
  - securities lending;
  - the marketing of financial products that are interest-rate sensitive;
  - alternative and bank loan mutual funds; and
  - broker conflicts of interest.
- Continuing upticks in interest rates, stock values and yields, and a decline in long-term yields.
- An increase in bond sales caused by purchase activity of municipalities.
- Bond funds accepting more risk as oil prices continue to drop, further lowering energy-sensitive bond values.
- Heightened focus on cybersecurity by regulators.
- Continuing efforts by Congress to further erode the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Statistics recently released by the Financial Industry Regulatory Authority (FINRA) also indicate some historical trends that may continue to impact the industry into 2015:

- During the summer months, new arbitration claims were being filed at a record pace, and FINRA predicted filings would exceed 4,000 by year-end. The agency received a lower than expected number of filings in the fall, however. So, while the filings during that time period were up slightly as compared with 2013, the number of claims likely will not have reached 4,000 for the year – for the second time since 2000 – indicating a continuing downward trend in FINRA arbitration filings.
- Closed cases also trended downward for the year, the result of a disturbing upward trend in the time it takes to complete a FINRA arbitration. The average amount of time to completion has grown from 15 months in 2010 to 18 months in 2014, and seems to be headed even higher. Simplified Decisions, those that are based on the papers without a hearing, remain in the seven-to-eight-month completion range.

- Settlements are up. FINRA reports that only about 19 percent of customer cases reach hearings, and damages are awarded in only 41 percent of customer claims, the lowest rates in years.
- Claimants increasingly prefer panels comprising only public arbitrators – which is not surprising, considering that claimants succeed more often before these panels than before panels that include one or more nonpublic panelists (including securities industry panelists).

As the year unfolds, we will see how these trends play out. In the interim, if you have any questions, please contact Jerry Phillips at jphillips@loeb.com or 310.282.2177 or any member of the Securities Litigation and Enforcement Practice.

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