

Draft as of June 8, 2022
To be discussed at the June 9, 2022 meeting of the Investor Advisory Committee

**Recommendation of the SEC Investor Advisory Committee regarding
Investor Advocacy Clinic Funding**

On March 8, 2018, the IAC made a [recommendation](#) regarding financial support for law school clinics that support investors. The recommendation cited the crucial gap filled by law school investor advocacy clinics in providing high quality legal advice and representation to investors with small claims who otherwise would not have access to representation. It also highlighted the important role clinics play in the protection of retail investors through education and advocacy efforts, as well as their important role with respect to FINRA and the industry in helping to screen out non-viable claims. At the time, the IAC recommended three potential non-exclusive paths to provide the crucial funding needed to sustain the clinics. These potential solutions have not been implemented.

Over time, the number of clinics has declined significantly. There have been a total of 25 clinics in operation over the past 25 years, and there are now only 10. Small claim investors in 45 states do not have access to a law school clinic, and therefore may not have meaningful access to justice.¹

The topic of law school clinic funding was considered again at the December 2, 2021 IAC meeting during the panel discussion regarding the SEC's potential role in addressing elder financial abuse issues. Sustained and dedicated funding remains one of the biggest challenges for investor advocacy clinics. Accordingly, the IAC recognizes that supporting investor advocacy clinics includes developing a funding source for the establishment and maintenance of such clinics.

Therefore, the IAC recommends that the SEC support the Investor Justice Act, which provides authority to the SEC to establish a grant program to fund qualified investor advocacy clinics with the SEC's Congressionally-appropriated funds. The IAC supports the aggregate and single clinic limitations set forth in the Act; *i.e.*, during each fiscal year, the aggregate amount of grants may not exceed \$5 million and an award to any single investor advocacy clinic may not exceed \$150,000 (to be adjusted for inflation). (See Investor Justice Act introduced by Representative Mike Quigley as [H.R.7923](#) on May 31, 2022.)

¹ Twenty-five clinics have been in operation since the first clinic opened at Pace in 1997. Several benefited from three-year seed funds from the FINRA Investor Education Foundation during the years 2009-2012. However, these funds could not be used for existing clinics or those operating beyond the initial three years. In 2014, there were 18 clinics; in 2017, there were 16 clinics; in 2022, there are 10 clinics. The 10 remaining clinics are located as follows: New York (5), New Jersey (1), Pennsylvania (1); Illinois (1), Florida (1), Washington, D.C. (1).