

**BEFORE THE
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC**

In the Matter of the Application of
Michael Scott Barrows
For Review of Action Taken by
Financial Industry Regulatory Authority
File No. 3-22477

FINRA'S BRIEF IN OPPOSITION TO APPLICATION FOR REVIEW

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FINRA’S BRIEF IN OPPOSITION TO APPLICATION FOR REVIEW

I. INTRODUCTION

This appeal finds its origin in a simple, undisputed fact—Michael Scott Barrows failed to pay an arbitration award in excess of \$1 million due to his former customer. Because of this failure, and as FINRA Rule 9554 authorizes, FINRA commenced expedited proceedings that, at their core, have as their purpose encouraging the prompt payment of such awards. These proceedings ended with an inescapable conclusion: Barrows, who has not satisfied any part of the now two-year old arbitration award or established a valid defense for not paying it, is indefinitely suspended from association with any FINRA member.

Barrows requests that the Securities and Exchange Commission (“Commission”) review FINRA’s action. Upon the conclusion of that review, the Commission should dismiss Barrows’s application for review. FINRA’s action comports fully with the statutory standard of review set forth in the Securities Exchange Act of 1934 (“Exchange Act”). First, the bases for FINRA’s action exist in fact. Barrows does not dispute that he has not paid the arbitration award, and he has not raised any viable defense for his nonpayment of the award. Second, FINRA acted in

accordance with its rules by notifying Barrows of its intention to suspend him and affording him an opportunity to be heard as to why FINRA should not do so. Finally, FINRA's action, which motivates Barrows to pay the arbitration award, advances the public interest and protects investors, consistent with the purposes of the Exchange Act.

Barrows's appeal rests on a single issue—whether FINRA may suspend Barrows under FINRA rules for his failure to pay the arbitration award while Barrows's appeal of a state court judgment confirming the arbitration award is pending. As Commission precedent and the plain and unambiguous language of FINRA By-Laws and FINRA rules concerning when FINRA may suspend an associated person for failing to pay an arbitration award establish, the answer to that question is, plainly, yes. Barrows acknowledges as much but nonetheless urges the Commission to revisit this precedent to consider “the rights of a broker to maintain his livelihood during the appeal.” Opening Br. at 1. The Commission should reject Barrows's request to disregard its well-reasoned precedent and the policies underlying that precedent and affirm FINRA's action and Barrows's indefinite suspension from association with a FINRA member.¹

¹ FINRA files its brief today, December 9, 2025, pursuant to the Commission's October 1, 2025 order staying pending administrative proceedings while the Commission was subject to a lapse in appropriations and its November 13, 2025 order lifting the stay and further extending all deadlines by an additional period of 10 days. *See In re: Pending Admin. Proc.*, Exchange Act Release No. 104162, 2025 SEC LEXIS 2846 (Oct. 1, 2025); *In re: Pending Admin. Proc.*, Exchange Act Release No. 104177, 2025 SEC LEXIS 2867 (Nov. 13, 2025).

II. FACTUAL AND PROCEDURAL BACKGROUND

There are no material facts in dispute.²

A. Barrows Found Liable to Customer in Arbitration Award Confirmed by a Court

On October 30, 2023, a FINRA arbitration panel issued an award finding Barrows liable to his former customer for specified securities law violations, common law fraud, and breach of fiduciary duty and ordered him to pay compensatory damages to the customer in excess of \$1 million, interest, and costs and fees (the “Arbitration Award”).³ RP 92 (Stip. ¶ 6), 297-306. On September 6, 2024, the California Superior Court for the County of Los Angeles denied Barrows’s petition to vacate the Arbitration Award and granted the customer’s cross-petition to confirm the Arbitration Award. RP 379-86. On October 1, 2024, the court entered a final judgment in the amount of the Arbitration Award (plus interest) and ordered Barrows to pay the judgment. RP 387-88. On October 29, 2024, Barrows appealed the judgment to the California Court of Appeal. RP 93 (Stip. ¶ 14), 397-402. That appeal is still pending. Barrows has not given an undertaking, by posting a bond, to stay the enforcement of the judgment while it is on appeal. RP 94 (Stip. ¶ 26). Barrows also has not sought relief by filing a petition for writ of

² Barrows does not dispute that FINRA has jurisdiction over him. At all times relevant to the underlying proceedings, Barrows was registered with a FINRA member firm. RP 91 (Stip. ¶¶ 1-2). “RP ____” refers to the page numbers in the certified record filed by FINRA on June 5, 2025.

³ The Arbitration Award found Barrows and his co-respondent, Stephen Ludovico, jointly and severally liable to the customer and ordered them to pay damages. Barrows is the only applicant in this application for review, so the factual and procedural background refers to Barrows only.

supersedeas from the Court of Appeal to stay enforcement of the judgment while it is on appeal.⁴ RP 94 (Stip. ¶ 27).

B. FINRA Brings First Expedited Proceeding Pursuant to FINRA Rule 9554 for Barrows’s Failure to Comply with the Arbitration Award

On October 21, 2024, because Barrows still had not complied with the Arbitration Award after the Superior Court for the County of Los Angeles denied his petition to vacate, FINRA issued notice to Barrows that it intended to suspend Barrows through action taken under FINRA Rule 9554.⁵ RP 94 (Stip. ¶ 29), 389-92. Consistent with FINRA Rule 9554, the notice advised that, unless Barrows took corrective action, he would be suspended from association with any FINRA member in any capacity on November 11, 2024.⁶ RP 389. The notice further provided

⁴ By neither posting a bond nor seeking relief by filing a petition for writ of supersedeas, Barrows failed to avail himself of the two remedies available to stay enforcement of the judgment under California law. *See* Cal. Code Civ. Proc. § 917.1(a) (“Unless an undertaking is given, the perfecting of an appeal shall not stay enforcement of” a money judgment.); Cal. Rules of Court 8.824(a)(1) (“A party seeking a stay of the enforcement of a judgment or order pending appeal may serve and file a petition for writ of supersedeas in the appellate division.”).

⁵ Under Article V, Section 2(a) of FINRA By-Laws, associated persons agree to comply with FINRA By-Laws and rules. Pursuant to FINRA Rule 12904, Barrows was obligated to comply with the Arbitration Award within 30 days unless he filed a motion to vacate the award. *See* FINRA Rule 12904(j). Consistent with FINRA By-Laws and FINRA Rule 12904, Barrows’s obligation to comply with the Arbitration Award was stayed when Barrows filed the petition to vacate the Arbitration Award in California Superior Court for the County of Los Angeles. *See* FINRA By-Laws, Article VI, § 3; FINRA Rule 12904. As a result of the court’s denial of Barrows’s petition to vacate and resulting judgment, Barrows’s obligation to comply with the Arbitration Award ceased to be stayed. *See* FINRA By-Laws, Article VI, § 3 (“[FINRA]...may...suspend from association with any member any person[] for failure to comply with an award of arbitrators . . . where a timely motion to vacate or modify such award has not been made pursuant to applicable law *or where such a motion has been denied . . .*”) (emphasis added); *infra* Part III.B.

⁶ Specifically, the notice provided that Barrows’s suspension would be effective on November 11, 2024, unless he demonstrated that he had paid the Arbitration Award in full; entered into a settlement agreement with the customer, and his obligations thereunder were current; timely filed an action to vacate or modify the Arbitration Award and such motion had

[Footnote cont’d on next page]

that Barrows could file a written request for a hearing before FINRA’s Office of Hearing Officers before November 11, 2024, which action would stay the suspension. RP 389-90.

Barrows timely filed a request for hearing, asserting that “the appeal of my hearing underlying arbitration is ongoing.” RP 404. On November 8, 2024, FINRA’s Office of Hearing Officers denied Barrows’s request for hearing. RP 403. On December 11, 2024, Barrows filed an application for review with the Commission of FINRA’s action in Administrative Proceeding File No. 3-22347. *See Michael Scott Barrows*, Exchange Act Release No. 102030, 2024 SEC LEXIS 3625, at *1 (Dec. 23, 2024).

C. Orange County Superior Court Proceedings and Termination of Prior Suspension

On November 15, 2024, the California Superior Court for the County of Orange granted an ex parte application brought by Barrows for a temporary restraining order (“TRO”) enjoining FINRA from suspending Barrows and lifting his suspension that was in place at that time. RP 93 (Stip. ¶ 19), 427-28. FINRA removed the matter to the United States District Court for the Central District of California, and FINRA agreed to an extension of the TRO to January 6, 2025. RP 93 (Stip. ¶¶ 21, 22); *see also* Docket, *Barrows v. FINRA*, No. 8:24-cv-02624 (C.D. Cal. Dec. 3, 2024); Order Granting Joint Stipulation to Extend TRO, No. 8:24-cv-02624 (C.D. Cal. Dec. 9,

[cont’d]

not been denied; or filed a petition in bankruptcy and the bankruptcy proceeding was pending, or the bankruptcy court had discharged the Arbitration Award or payment owed under any settlement agreement. RP 389. The notice also provided that the suspension would continue until documentary evidence were provided to FINRA that one of more of these enumerated defenses had occurred. RP 389.

2024).⁷ Later, the federal court further extended the TRO to January 17, 2025. RP 93 (Stip. ¶ 24); *see also* Order Granting Emergency Application to Extend TRO and Setting Hearing on Preliminary Injunction, No. 8:24-cv-02624 (C.D. Cal. Jan. 10, 2025).

On January 17, 2025, the federal court denied Barrows's request for a preliminary injunction and issued an order that the TRO expire on January 24, 2025, at 5:00 p.m. RP 93 (Stip. ¶ ¶ 23, 24); *see also* Minutes of Preliminary Injunction Hearing, No. 8:24-cv-02624 (C.D. Cal. Jan. 17, 2025). On January 24, 2025, the federal court dismissed the entire action with prejudice. *See* Order Granting Joint Stipulation to Dismiss Entire Action With Prejudice, No. 8:24-cv-02624 (C.D. Cal. Jan. 24, 2025).

Thus, as of January 24, 2025, at 5:00 p.m., the TRO enjoining FINRA from suspending Barrows expired, and there was no longer a pending court action in federal or state court with respect to the suspension, or any restriction on FINRA from seeking to suspend Barrows for his failure to pay the Arbitration Award. On March 17, 2025, the Commission dismissed Barrows's prior application for review in Administrative Proceeding File No. 3-22347 after FINRA and Barrows filed motions to dismiss representing that his suspension was no longer in effect and the appeal should be dismissed as moot. *Michael Scott Barrows*, Exchange Act Release No. 102689, 2025 SEC LEXIS 730, at *1 (Mar. 17, 2025).

D. FINRA Brings Second Expedited Proceeding at Issue Pursuant to FINRA Rule 9554 for Barrows's Failure to Comply with the Arbitration Award

On January 24, 2025, after the expiration of the TRO, FINRA issued a new notice to Barrows that FINRA intended to suspend him through action taken under FINRA Rule 9554 (the

⁷ The Commission may take official notice of the federal court's docket, pleadings, and orders. *See* 17 C.F.R. § 201.323 ("Official notice may be taken of any material fact which might be judicially noticed by a district court of the United States.").

“Suspension Notice”). RP 431-34. The Suspension Notice advised that, unless Barrows provided documentary evidence by 11:59 p.m. (Pacific Time) on February 14, 2025, of his taking corrective action, he would be suspended from association with any FINRA member in any capacity on February 18, 2025. RP 431. The Suspension Notice further provided that Barrows could file a written request for a hearing before FINRA’s Office of Hearing Officers by 11:59 p.m. (Pacific Time) on February 14, 2025, which action would stay the effective date of the suspension. RP 431-32. The Suspension Notice further advised that any “hearing request must set forth with specificity any and all defenses to the FINRA action.” RP 432.

Barrows timely filed a request for hearing with FINRA’s Office of Hearing Officers, asserting that he “currently has an active appeal of a motion to vacate [the Arbitration Award] in the California Courts [sic] of Appeals.” RP 439. FINRA’s Office of Hearing Officers acknowledged Barrows’s request for hearing and notified him that he would not be suspended at that time and a hearing before a FINRA Hearing Officer would be scheduled. RP 439.

E. Barrows Participates in FINRA Rule 9559 Hearing Before a FINRA Hearing Officer

Barrows’s hearing before a FINRA Hearing Officer occurred on March 31, 2025. RP 137-203. As the Hearing Officer acknowledged at the beginning of the hearing, the parties submitted extensive stipulations and proposed joint exhibits that created “a complete factual record on which to decide the case.” RP 142. Therefore, no witnesses testified at the hearing. RP 141-44. Instead, the parties presented oral argument on the determinative legal issue: whether “FINRA must stay any attempt to suspend [Barrows] under [FINRA] [B]y-Laws and rules for [his] failure to pay the [arbitration] award until resolution of [Barrows’s] pending appeal of a judgment confirming the award.” RP 139.

In a decision dated May 7, 2025, the Hearing Officer concluded that “FINRA and [Commission] precedents uniformly hold that under FINRA’s By-Laws and rules a[n] . . . associated person may be suspended once a court denies a motion to vacate [an arbitration award], regardless of any pending or potential appeal.” RP 445-68. Accordingly, the Hearing Officer suspended Barrows from associating with any FINRA member in any capacity as of the date of the decision until he either complies with the Arbitration Award or establishes a cognizable defense. RP 468. This appeal followed. Barrows is currently suspended from associating with any FINRA member because he has not complied with the Arbitration Award or established a cognizable defense.

III. ARGUMENT

The Commission reviews FINRA action imposing an indefinite suspension for the failure to pay an arbitration award under Section 19(f) of the Exchange Act. *William J. Gallagher*, 56 S.E.C. 163, 166 (2003). Section 19(f) of the Exchange Act requires the Commission to dismiss Barrows’s appeal if it finds that: (1) the specific grounds on which FINRA based its action exist in fact; (2) the action was taken in accordance with FINRA rules; and (3) those rules are, and were applied in a manner, consistent with the purposes of the Exchange Act.⁸ *See* 15 U.S.C. § 78s(f). FINRA’s action comports fully with this standard. Accordingly, the Commission should dismiss Barrows’s application for review.

⁸ Section 19(f) of the Exchange Act also requires that FINRA’s action not impose any burden on competition that is not necessary or appropriate to further the Exchange Act’s purposes. *See* 15 U.S.C. § 78s(f). Barrows does not assert, and there is no evidence to support, that his indefinite suspension imposes an unnecessary or inappropriate competitive burden.

A. The Specific Grounds Upon Which FINRA Based Its Action Against Barrows Exist in Fact

The specific grounds for Barrows's indefinite suspension exist in fact. It is undisputed that Barrows, pursuant to the Arbitration Award, was liable to his former customer for compensatory damages in excess of \$1 million, interest, and costs and fees. RP 92 (Stip. ¶ 6), 297-306. It is also undisputed that Barrows has not paid any part of the Arbitration Award, entered into a settlement agreement with his former customer, or filed for bankruptcy protection. RP 94 (Stip. ¶ 35); *see FINRA Regulatory Notice 10-31*, 2010 FINRA LEXIS 58, at *4-5 (June 2010) (setting forth valid defenses for nonpayment of arbitration awards); *NASD Notice to Members 00-55*, 2000 NASD LEXIS 63, at *5-6 (Aug. 2000) (same).

Under FINRA Rule 12904, Barrows was obligated to pay the Arbitration Award within 30 days of receiving it. RP 92 (Stip. ¶ 7), 307-10; *see* FINRA Rule 12904(j). Consistent with FINRA By-Laws and FINRA Rule 12904, Barrows's obligation to comply with the Arbitration Award was stayed when Barrows filed the petition to vacate the Arbitration Award in California Superior Court for the County of Los Angeles. *See* FINRA By-Laws, Article VI, § 3(b); FINRA Rule 12904(j). It is undisputed, however, that the Superior Court for the County of Los Angeles subsequently denied Barrows's petition to vacate the Arbitration Award.⁹ RP 92 (Stip. ¶ 10), 379-386. As a result of the court's denial of Barrows's petition to vacate and resulting judgment, Barrows's obligation to comply with the Arbitration Award ceased to be stayed, and FINRA commenced the underlying proceedings to suspend Barrows indefinitely under FINRA Rule

⁹ It also is undisputed that Barrows has not posted a bond to stay the enforcement of the Superior Court for the County of Los Angeles judgment nor sought relief by filing a petition for writ of supersedeas to stay enforcement of the judgment while it is on appeal to the Court of Appeal. RP 94 (Stip. ¶¶ 26, 27).

9554. *See* FINRA By-Laws, Article VI, § 3(b). Further, as explained below, Barrows did not establish any valid defense to his non-payment of the Arbitration Award under FINRA rules.

See infra Part III.B.

Accordingly, FINRA’s action to suspend Barrows was based on grounds that exist in fact. *See Keith Patrick Sequeira*, Exchange Act Release No. 85231, 2019 SEC LEXIS 286, at *17 (Mar. 1, 2019) (“FINRA rested its determination to suspend Sequeira under Rule 9554 on three findings: (1) the Award was entered, (2) Sequeira did not pay it, and (3) Sequeira failed to establish a defense for his failure to pay that is cognizable under FINRA Rule 9554.”), *aff’d*, 816 F. App’x 703 (3rd Cir. 2020).

B. FINRA Suspended Barrows in Accordance with Its Rules for His Failure to Satisfy the Arbitration Award

FINRA indefinitely suspended Barrows in accordance with its rules. FINRA Rule 9554 authorizes FINRA to bring expedited proceedings to suspend from association with a FINRA member any associated person who fails to pay an arbitration award under Article VI, Section 3 of the FINRA By-Laws. FINRA Rule 9554(a). FINRA’s action against Barrows began after it learned that the Superior Court for the County of Los Angeles had denied his petition to vacate and confirmed the Arbitration Award, as authorized by FINRA By-Laws Article VI, Section 3, which permits the commencement of an expedited proceeding once a motion to vacate the award has been denied.¹⁰

¹⁰ Federal law authorizes a federal district court to vacate an arbitration award only on specific, narrow grounds. 9 U.S.C. § 10(a). A federal court’s review of an arbitration award is “both limited and highly deferential,” and an arbitration award may be vacated only if it is “completely irrational” or “constitutes manifest disregard of the law.” *Coutee v. Barington Capital Group*, 336 F.3d 1128, 1132-33 (9th Cir. 2003).

FINRA issued to Barrows the Suspension Notice pursuant to Rule 9554(a). The rule permits FINRA to initiate these proceedings by serving written notice that states the basis for FINRA's action, when the action will take effect, what the respondent must do to avoid such action, and that the respondent may file with the Office of Hearing Officers a written request for a hearing under FINRA Rule 9559. FINRA Rule 9554(a)-(c). There is no dispute that the Suspension Notice complied fully with these requirements. RP 94 (Stip. ¶¶ 31, 32), 431-34.

There is also no dispute that, after Barrows timely requested a hearing in response to the Suspension Notice, FINRA stayed the effective date of his suspension at issue pursuant to Rule 9559(c) and followed the procedures related to hearings under FINRA Rule 9559. FINRA's Hearing Officer timely notified the parties of the hearing. *See* FINRA Rule 9559(g); RP 5. The Hearing Officer conducted the hearing telephonically, and a court reporter recorded the hearing and prepared a transcript. *See* FINRA Rule 9559(d)(5), (k); *see also* FINRA Rule 9265; RP 137-228. The Hearing Officer timely prepared a proposed written decision that set forth findings of fact and conclusions of law. *See* FINRA Rule 9559(o)(1), (p); RP 445-68. The Hearing Officer's proposed written decision was also provided to the Review Subcommittee of the NAC and issued as the final FINRA decision after the Review Subcommittee did not call the proposed decision for review. *See* FINRA Rule 9559(o)(5), (p); RP 443.

FINRA's proceedings were conducted as authorized by its rules. FINRA's Hearing Officer indefinitely suspended Barrows from association with any FINRA member after finding, with the benefit of a hearing, that Barrows failed to satisfy the award and had not established a valid defense for his nonpayment—"a permissible basis for imposing such a suspension under FINRA's rules." *Michael David Schwartz*, Exchange Act Release No. 81784, 2017 SEC LEXIS 3111, at *16 (Sept. 29, 2017); *see also Michael Albert DiPietro*, Exchange Act Release No.

77398, 2016 SEC LEXIS 1036, at *10 (Mar. 17, 2016) (holding that a suspension imposed pursuant to Rule 9554 “was consistent with FINRA Article VI, Section 3(b), and with NASD’s Notice to Members 00-55, which enumerated . . . the ‘bases for nonpayment.’”). Barrows does not contend, and there is no evidence suggesting, that FINRA deviated from the procedural safeguards imposed under its rules or otherwise failed to provide him fair process in this case.¹¹

Although Barrows acknowledges that existing Commission precedent forecloses his sole argument on appeal, he nonetheless argues that FINRA is precluded from suspending him for failure to pay the Arbitration Award while his appeal to the California Court of Appeal is pending based on the “literal wording of [FINRA Rule] 9554.” Opening Br. at 4. But as explained in well-established Commission precedent, FINRA rules demand no such delay. Rather, Article VI, Section 3 of FINRA By-Laws, which is imported in Rule 9554(a), authorizes FINRA to “suspend from association with any member any person[] for failure to comply with an award of arbitrators . . . where a timely motion to vacate or modify such award has not been made pursuant to applicable law *or where such a motion has been denied . . .*” FINRA By-Laws Article VI, § 3(b) (emphasis added). The denial by the Superior Court for the County of Los Angeles of Barrows’s petition to vacate the Arbitration Award is exactly the scenario expressed by the plain meaning of the term “denied” in that By-Laws provision. *See Sequeira,*

¹¹ The Exchange Act requires that FINRA provide fair proceedings. *See* 15 U.S.C. § 78o-3(h)(1). Specifically, Section 15A(h)(1) requires that specific charges be brought, that notice be given of such charges, that an opportunity to defend against such charges be given, and that a record be kept. The record clearly shows that these procedural safeguards were satisfied in this matter and that FINRA followed its rules and provided Barrows with a full and fair hearing. *See Sundra Escott-Russell*, Exchange Act Release No. 43363, 2000 SEC LEXIS 2053 (Sept. 27, 2000). In sum, Barrows was afforded all of the fair processes that were due him pursuant to FINRA rules governing expedited suspension proceedings.

2019 SEC LEXIS 286, at *18 (describing a state court’s rejection of the applicant’s attempt to vacate an arbitration award as a “denial” of [the applicant’s] request “under the plain meaning of the term”). FINRA By-Laws and Rule 9554 do not require that the appeal of any denial of a motion to vacate an arbitration award be exhausted before FINRA may suspend an associated person for non-payment of the award. Indeed, “[t]he possibility that the litigant may obtain relief eventually does not change the fact that the attempt to have the award vacated has been denied, which renders the litigant subject to a suspension for failing to pay the award.” *Id.* at *19.¹²

Given the plain and unambiguous language of FINRA By-Laws concerning when FINRA may suspend an associated person for failing to pay an arbitration award, it is not surprising that the Commission has repeatedly affirmed that FINRA can suspend a registered person in precisely these circumstances. *See DiPietro*, 2016 SEC LEXIS 1036, at *11 (finding FINRA not required to delay the effective date of a suspension or commencing an expedited proceeding under FINRA Rule 9554 until after the resolution of an appeal from a court’s denial of a motion to vacate an arbitration award and that FINRA rules “do not excuse failure to pay simply because the respondent has appealed that denial”); *Gallagher*, 56 S.E.C. at 170-71 (holding FINRA By-Laws “do[] not require [FINRA] to delay its process until all appeals of [the] denial [of the motion to vacate] are exhausted”). To require FINRA to stay its expedited proceedings while an appeal from the denial of a motion to vacate an arbitration award is pending is contrary to the

¹² Barrow’s argument that he should be permitted to maintain his license during the pendency of his appeal (Opening Br. at 4) is further undercut by the fact that he did not seek from the Commission a stay of his indefinite suspension while his application for review is pending. *See* 17 C.F.R. § 201.401.

language of FINRA rules, inconsistent with Commission precedent, and would subvert the important policy of encouraging prompt payment of arbitration awards. *See id.*

C. FINRA Applied FINRA Rule 9554 Consistent with the Purposes of the Exchange Act

FINRA Rule 9554 is consistent with the purposes of the Exchange Act, and FINRA applied the rule in a manner that matched those objectives in this case. Section 15A of the Exchange Act requires FINRA to design its rules, generally, to protect investors and the public interest. *See* 15 U.S.C. § 78o-3(b)(6). FINRA’s arbitration process provides an effective mechanism for the prompt resolution of disputes that involve associated persons and the investing public. *See Eric M. Diehm*, 51 S.E.C. 938, 939 (1994) (“The NASD’s arbitration procedure is designed to provide speedy dispute resolution for members, their employees, and the public.”). “Honoring arbitration awards is essential to the functioning of the [FINRA] arbitration system.” *Gallagher*, 56 S.E.C. at 171. Permitting FINRA members and associated persons to remain in the securities industry when they fail to satisfy arbitration awards presents an unmistakable regulatory risk. *See Schwartz*, 2017 SEC LEXIS 3111, at *17 (quoting *Order Approving Proposed Rule Change Relating to FINRA Rule 9554*, Exchange Act Release No. 62211, 2010 SEC LEXIS 1800, at *4 (June 2, 2010)). FINRA Rule 9554, which expressly authorizes FINRA to bring expedited actions to encourage its members and their associated persons to pay arbitration awards promptly, therefore furthers the investor protection mandate of Section 15A of the Exchange Act. *See id.* And “[t]he payment of arbitration awards and the facilitation of the arbitration process, in general, will assist in the protection of investors and further the public interest.” *Id.*

FINRA’s action under FINRA Rule 9554 to indefinitely suspend Barrows is consistent with these objectives. Barrows argues that the Commission should “balance the equities by

allowing him to maintain his license during the [California Court of Appeal] appellate process” and that his former customer is “not prejudiced” by permitting him to continue to associate with a FINRA member while his appeal to the California Court of Appeal is pending because the customer benefits from “the ability to attach recovery to [Barrows’s] earning[s]” while still associated. Opening Br. at 1, 4. Barrows’s argument overlooks the inherent harm caused by his failure to satisfy the arbitration award in a timely fashion and that permitting individuals with unpaid arbitration awards against them to remain associated with FINRA member firms while an appeal like Barrows’s is pending would disincentivize prompt payment of such awards, thereby undermining the FINRA arbitration process. *See Gallagher*, 56 S.E.C. at 171 (“Gallagher has harmed the arbitration claimants by forcing them to wait for an extended period of time to satisfy the award.”). His argument also overlooks that his suspension is “conditional.” *DiPietro*, 2016 SEC LEXIS 1036, at *23-24. Barrows may request termination of his suspension on the ground of full compliance with the Suspension Notice or the Hearing Officer’s decision, which can be met through, among other things, paying the Arbitration Award in full, fully complying with a settlement agreement, or agreeing with the customer to installment payments of the amount awarded. RP 431-34, 468; *see* FINRA Rule 9554(g); *FINRA Regulatory Notice 10-31*, 2010 FINRA LEXIS 58, at *4-5.

Barrows’s suggestion that his former customer could attach Barrows’s wages while he remains employed pending resolution of his appeal of the court’s denial of his motion to vacate the Arbitration Award also shifts the burden to his former customer. Rather than promptly paying the award after the court denied his motion to vacate, Barrows instead urges that the customer expend the time and resources to garnish his wages. This turns the policies underlying FINRA By-Laws and rules concerning the nonpayment of arbitration awards on their heads.

In sum, encouraging Barrows to pay the award, by imposing an indefinite suspension on his ability to associate with a FINRA member, advances the public interest and protects investors, as Section 15A of the Exchange Act directs. *See DiPietro*, 2016 SEC LEXIS 1036, at *24 (“Conditional suspension of DiPietro’s association with FINRA members . . . furthers two central purposes of the Exchange Act—serving the public interest and the protection of investors.”); *Gallagher*, 56 S.E.C. at 171 (“Inducing him to pay the award through suspension of his NASD membership furthers the public interest and the protection of investors.”).

IV. CONCLUSION

The Commission should dismiss Barrows’s application for review. FINRA’s action comports fully with Section 19(f) of the Exchange Act. The bases for FINRA’s action against Barrows are well grounded in fact. Barrows has not satisfied the Arbitration Award owed to his former customer, and he has not established a valid defense that would excuse his nonpayment of the Arbitration Award. His lone defense—i.e., that his pending appeal of the denial of his petition to vacate the Arbitration Award precludes his suspension—falls flat. In suspending Barrows indefinitely, FINRA acted in accordance with its rules and furthered the Exchange Act’s objectives of protecting the public interest and investors. For these reasons, the Commission should affirm FINRA’s action.

Respectfully submitted,

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December 9, 2025

CERTIFICATE OF COMPLIANCE

I, Megan Rauch, certify that this Brief in Opposition to the Application for Review (File No. 3-22477) complies with the length limitations set forth in SEC Rule of Practice 450(c). I have relied on the word count feature of Microsoft Word in verifying that this brief contains 4,954 words.

I further certify that this motion complies with the Commission's Rules of Practice by filing a motion that omits or redacts any sensitive personal information described in Rule of Practice 151(e).

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CERTIFICATE OF SERVICE

I, Megan Rauch, certify that on this 9th day of December 2025, I caused a copy of the foregoing Brief in Opposition to the Application for Review of Michael Scott Barrows, Administrative Proceeding File No. 3-22477, to be filed through the SEC's eFAP system on:

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