

Sanction Guidelines

The National Adjudicatory Council (NAC) Revises the Sanction Guidelines

Effective Immediately

Summary

The NAC has revised FINRA's *Sanction Guidelines* to incorporate a new guideline for violations of the Consolidated Audit Trail System (CAT) industry member compliance rules.

The revised [Sanction Guidelines](#) are effective immediately and available on FINRA's website.

Questions concerning this *Notice* should be directed to:

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Background and Discussion

FINRA's *Sanction Guidelines* familiarize FINRA firms with some of the typical securities industry rule violations that occur and the range of disciplinary sanctions that may result from those rule violations. The goal of the *Sanction Guidelines* is to assist FINRA's adjudicators in determining the appropriate sanctions in disciplinary proceedings. FINRA's NAC initiates periodic reviews of the *Sanction Guidelines* to ensure that the *Sanction Guidelines* reflect recent developments in the disciplinary process, comport with changes in FINRA's rules and accurately reflect the levels of sanctions imposed in FINRA disciplinary proceedings.¹

FINRA and the national securities exchanges (each a "Participant") adopted common CAT industry member compliance rules to implement the CAT NMS Plan.² These rules generally cover reporting to CAT, clock synchronization, time stamps, connectivity and data transmission, development and testing, recordkeeping, the timeliness, accuracy and completeness of data, and compliance dates.³

Industry member CAT reporting is currently required, and additional reporting requirements are being phased in over several time periods.⁴

October 20, 2021

Notice Type

- ▶ Guidance

Suggested Routing

- ▶ Legal
- ▶ Registered Representatives
- ▶ Senior Management

Key Topics

- ▶ FINRA Sanction Guidelines

Referenced Rules & Notices

- ▶ FINRA Rule 6800 Series
- ▶ FINRA Rule 7400 Series
- ▶ Regulatory Notice 20-31

New Guidance

The prior version of FINRA's *Sanction Guidelines* did not have a guideline for CAT reporting violations. The NAC adopted the CAT guideline to reflect the transformation of audit-trail reporting from OATS to CAT.

Endnotes

1. The NAC is FINRA's appellate tribunal for disciplinary cases. It is a 15-member committee composed of industry and non-industry members.
2. Rule 613 of Regulation NMS requires national securities exchanges and national securities associations to jointly submit a national market system plan to the Securities and Exchange Commission (SEC) to create, implement, and maintain the CAT. Pursuant to Rule 613, the Participants filed with the SEC the CAT NMS Plan, which was approved by the SEC on November 15, 2016. For more information, see the [CAT NMS Plan](#) website, which includes CAT FAQs and Alerts, and the [CAT section](#) of the FINRA Key Topics website. Capitalized terms used but not otherwise defined herein have the meaning ascribed to them under the CAT industry member compliance rules.
3. As mandated under Rule 613, the CAT NMS Plan requires each Participant to adopt rules requiring its members to comply with the CAT NMS Plan, and to agree to enforce compliance by its members in that regard. FINRA is coordinating with other Participants to promote harmonized and consistent regulation of all Participants' CAT compliance rules. The SEC approved a Rule 17d-2 Plan under which the regulation of CAT compliance rules will be allocated among Participants to reduce regulatory duplication for Industry Members that are members of more than one Participant. See Securities Exchange Act Release No. 88366 (March 12, 2020), 85 FR 15238 (March 17, 2020). Under the Rule 17d-2 Plan, the regulation of CAT industry member compliance rules with respect to common members that are members of FINRA is allocated to FINRA.
4. See [Regulatory Notice 20-31](#) (FINRA Reminds Firms of Their Supervisory Responsibilities Relating to CAT).