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Introduction

The Financial Industry Regulatory Authority, Inc. is a private, not-for-profit, self-regulatory organization registered with, and overseen by, the Securities and Exchange Commission.¹ It was created in 2007 after the National Association of Securities Dealers, Inc. and the member regulation, enforcement, and arbitration functions of the New York Stock Exchange consolidated.² That merger eliminated their overlapping jurisdiction and set in motion the writing of a uniform set of rules to be administered by FINRA—a process that continues to this day.³

Every year, FINRA files more disciplinary proceedings for securities violations than the SEC, the U.S. Department of Justice, and all other self-regulatory organizations combined.⁴ Though many are straightforward, others involve issues as complex as any pursued elsewhere due to the

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1. *United States v. NASD, Inc.*, 422 U.S. 694, 700 n.6 (1975); *Birkelbach v. SEC*, 751 F.3d 472, 474 (7th Cir. 2014); *D.L. Cromwell Inv., Inc. v. NASD Reg., Inc.*, 279 F.3d 155, 157 (2d Cir. 2002), *cert. denied*, 537 U.S. 1028 (2002); *Wm. J. Murphy*, Exchange Act Release No. 69923, 2013 SEC LEXIS 1933, at *2 n.1 (July 2, 2013).
 2. *Birkelbach*, 751 F.3d at 474; *Murphy*, 2013 SEC LEXIS 1933, at *2 n.1 (citing authorities).
 3. *Robert D. Tucker*, Exchange Act Release No. 68210, 2012 SEC LEXIS 3496, at *1 n.2 (Nov. 9, 2012); accord FINRA website, at <http://www.finra.org/Industry/Regulation/FINRARules/P038095> (FINRA's Rulebook Consolidation Process) (all referenced Internet materials were last reviewed on April 23, 2015). For consistency, the association will be identified as FINRA throughout this book, except where NASD or the New York Stock Exchange appears in a case caption, quotation, or when either historical name is necessary for context.
 4. See FINRA website, at <http://www.finra.org/newsroom/speeches/schapiro/p011023> (Remarks by Mary L. Schapiro, Vice Chairman, NASD President, Regulatory Policy and Oversight).

association's expertise and knowledge of the industry.⁵ The sanctions it imposes can be significant. In addition to ordering millions of dollars in fines and restitution, FINRA expels, bars, and suspends hundreds of respondents from membership or association with regulated firms each year.⁶

This book focuses on one aspect of its disciplinary process: sanctions analysis.

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5. See, e.g., FINRA 2013 YEAR IN REVIEW AND ANN. FIN. REP., at 3-4 (2013) (describing significant disciplinary actions it brought that year); FINRA 2012 YEAR IN REVIEW AND ANN. FIN. REP., at 3 (2012) (same).
 6. See *infra* Table of FINRA Disciplinary Actions and Sanctions Imposed, accompanying note 63.