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NASD Sanction Guidelines

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Overview

The regulatory mission of NASD Regulation, Inc. (NASD RegulationSM) is to protect investors and strengthen market integrity through vigorous, even-handed, and cost-effective self-regulation. NASD Regulation embraces self-regulation as the most effective means of infusing a balance of industry and non-industry expertise into the regulatory process. NASD Regulation believes that an important facet of its regulatory function is the building of public confidence in the financial markets. As part of NASD Regulation's regulatory mission, it must stand ready to discipline member firms and their associated persons by imposing sanctions when necessary and appropriate to protect investors, other member firms and associated persons, and to promote the public interest.

The National Adjudicatory Council (NAC), formerly the National Business Conduct Committee, has developed the *NASD Sanction Guidelines* for use by the various bodies adjudicating disciplinary decisions, including Hearing Panels and the NAC itself (collectively, the Adjudicators), in determining appropriate remedial sanctions. NASD Regulation has published the *NASD Sanction Guidelines* so that members, associated persons, and their counsel may become more familiar with the types of disciplinary sanctions that may be applicable to various violations. NASD Regulation staff and respondents also may use these guidelines in crafting settlements, acknowledging the broadly recognized principle that settled cases generally result in lower sanctions than fully litigated cases to provide incentives to settle.

These guidelines do not prescribe fixed sanctions for particular violations. Rather, they provide direction for Adjudicators in imposing sanctions consistently and fairly. The guidelines recommend ranges for sanctions and suggest factors that Adjudicators may consider in determining, for each case, where within the range the sanctions should fall or whether sanctions should be above or below the recommended range. These guidelines are not intended to be absolute. Based on the facts and circumstances presented in each case, Adjudicators may impose sanctions that fall outside the ranges recommended and may consider aggravating and mitigating factors in addition to those listed in these guidelines.

These guidelines address some typical securities-industry violations. For violations that are not addressed specifically, Adjudicators are encouraged to look to the guidelines for analogous violations. In order to promote consistency and uniformity in the application of these guidelines, the NAC has outlined certain **General Principles Applicable to All Sanction Determinations** that should be considered in connection with the imposition of sanctions in all cases. Also included is a list of **Principal Considerations in Determining Sanctions**, which enumerates generic aggravating or mitigating factors for all cases. Also, a number of guidelines identify potential principal considerations that are specific to the described violation.