

# Report: FINRA Fines, Restitution and Cases Plummet in 2019

An annual report by global law firm Eversheds Sutherland on disciplinary actions reported by the Financial Industry Regulatory Authority found that in 2019, fines, restitution, and cases decreased compared with 2018, continuing the downward trend from the past few years. However, FINRA continues to target specific areas, such as anti-money laundering violations, which for the fourth year in a row has resulted in the largest fines, the report claims.

FINRA fines decreased to \$44 million in 2019 from \$61 million in 2018, a 28 percent decrease. This continues the year-over-year trend of fines reductions from the record-setting year in 2016 when FINRA ordered \$174 million in fines.

With the overall reduction in fines, the number of cases with very large fines also declined in 2019. FINRA assessed nine fines of \$1 million or more, totaling \$27.9 million. In contrast, in 2018, FINRA assessed 13 fines of \$1 million or more, totaling \$47 million.

Similarly, in 2019, FINRA assessed just one fine of \$5 million or more. In contrast, in 2018, five cases resulted in fines over \$5 million. Yet, the largest single fine in 2019 (\$15 million) was \$5 million more than the largest single fine in 2018.

In 2019, restitution ordered by FINRA decreased slightly. FINRA ordered restitution of approximately \$24 million in 2019, a decrease of 8 percent from the \$26 million in restitution ordered in 2018 and well below the record of \$97 million ordered in 2015.

As a result of these decreases in 2019, the total monetary sanctions ordered by FINRA (fines, restitution, and disgorgement) were \$70 million. The total sanctions ordered in recent years were significantly higher: \$124 million in 2018, \$150 million in 2017, \$207 million in 2016, and \$193 million in 2015.

The number of cases reported by FINRA also decreased last year. FINRA reported 591 disciplinary actions in 2019, a decrease of 7 percent from the 638 disciplinary actions in 2018 and a decrease of 41 percent from the 1,007 cases FINRA reported in 2017.

The percentage of cases against just firms (as opposed to cases against individuals or jointly against both firms and individuals) declined to 18 percent from 25 percent during 2018.

FINRA barred 198 individuals in 2019, a 6 percent decrease from the 211 reported in 2018. The number of firms expelled by FINRA decreased from 4 in 2018 to 3 in 2019. Finally, the number of individuals suspended decreased 4 percent, from 254 in 2018 to 245 in 2019.

#### *Top FINRA Enforcement Issues Measured by Total Fines Assessed*

1. Anti-money laundering (AML) cases resulted in the most fines assessed by FINRA in 2019. FINRA reported 12 AML cases in 2019, resulting in \$17.4 million in fines. These numbers are lower than in 2018 when FINRA reported 17 AML cases, totaling \$27.3 million in fines.
2. Exchange-traded funds/products (ETF/ETP): FINRA reported 13 cases, with \$3.5 million in fines in 2019. The number of cases increased 30 percent from the 10 cases brought in 2018, while fines increased by 218 percent from \$1.1 million reported in 2018.
3. Misleading or inaccurate information cases: FINRA reported 28 misleading or inaccurate information cases,

with \$3.3 million in fines in 2019. The number of cases decreased 18 percent from the 34 cases brought in 2018, although the fines increased 83 percent from \$1.8 million reported in 2018.

4. Municipal securities cases: FINRA reported 8 municipal securities cases, with \$2.7 million in fines in 2019. The number of cases increased 11 percent from nine cases brought in 2018, while fines increased 50 percent from \$1.8 million reported in 2018.
5. Suitability cases: FINRA reported 45 suitability cases, with \$2.7 million in fines in 2019. The number of cases decreased 51 percent from 91 cases brought in 2018, while fines decreased 77 percent from \$11.8 million reported in 2018. FINRA also ordered \$17.2 million in restitution in suitability cases, compared with \$11.6 million in 2018.

Eversheds Sutherland is a global multinational law practice that provides legal services to the world's largest corporate firms. The practice was created by the February 2017 merger of Eversheds LLP and Sutherland Asbill & Brennan LLP and is one of the 50 largest law practices in the world.

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