

Progressive Discipline in Compliance

A Framework for Consistent, Fair, and Defensible Discipline Decisions

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01 Why a Framework

A structured matrix makes discipline even-handed and defensible

WHAT IT DELIVERS

- Similar misconduct leads to similar outcomes
- Employees can see how a decision was reached
- Seniority does not change the standard
- Every decision rests on a documented rationale

WHAT REGULATORS LOOK FOR

- Whether discipline is applied consistently
- That consequences are real and even-handed
- That decisions are not driven by rank
- Discipline data as evidence of a working program

02 How Culpability Is Assessed

The framework weighs intent alongside the company's controls

THE INTENT ANALYSIS

- Was the conduct intentional or negligent?
- Were the results foreseeable to the employee?
- Did the employee intend the outcome?
- Culpability rises with intent and foreseeability

ROOT-CAUSE ANALYSIS

- Did the employee receive adequate training?
- Were the procedures and controls sound?
- Did a control or training gap contribute?
- Findings drive remediation, not just discipline

03 Mitigating and Aggravating Factors

The matrix is a guideline; the facts move a case up or down

FACTORS THAT MITIGATE

- Directed or coerced by others
- A reporting relationship created pressure
- The result was foreseeable but not intended
- Prompt self-reporting and cooperation

FACTORS THAT AGGRAVATE

- Repeat offenses or a pattern
- The severity and harm of the violation
- Seniority and a position of trust
- Efforts to conceal or obstruct

04 The Matrix in Practice

A scaled guideline applied jointly by Compliance and HR

HOW THE MATRIX WORKS

- A scale from coaching to separation
- Levels tied to intent and violation
- Advisory and non-binding, not a formula
- Leadership retains discretion

ROLES AND GOVERNANCE

- Compliance and HR apply it together
- The investigator recommends; leadership decides
- The compliance officer owns interpretation
- Decisions and rationale are documented

The Discipline Decision Tree

Five steps from a substantiated finding to a documented decision

1

Assess Intent Was the conduct intentional or negligent?

2

Test Foreseeability Did the employee know, or should they have?

3

Analyze Root Cause Examine training, procedures, and controls.

4

Weigh the Factors Apply mitigating and aggravating circumstances.

5

Apply the Matrix Select a level and document the rationale.