

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20060046649-01**

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: BGC Financial, L.P., Respondent
Broker-Dealer
CRD No. 19801

Pursuant to Rule 9216 of the FINRA Code of Procedure, BGC Financial, L.P. (the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

The firm, which formerly operated under the name BGC Financial, Inc. (f/k/a Maxcor Financial, Inc.) has been a member of FINRA since July 25, 1987, and its registration remains in effect. It is a subsidiary of BGC Partners, L.P., which merged with Maxcor Financial Group, Inc., the parent of Euro Brokers, in May 2005.

RELEVANT PRIOR DISCIPLINARY HISTORY

The firm understands that its disciplinary history may be a factor that will be considered in deciding whether to accept this AWC. The firm has no relevant disciplinary history.

VIOLATIVE CONDUCT BY RESPONDENT

In Market Regulation Review No. 20060046649, FINRA staff ("the staff") conducted a review of compliance by Euro Brokers, a Division of BGC Financial, Inc. (f/k/a Maxcor Financial, Inc.), with NASD Rules applicable to trade reporting in the Trade Reporting and Compliance Engine ("TRACE") for the period October 1, 2005 through December 31, 2005 ("4Q05 review period").

In Market Regulation Review No. 20070077964, the staff conducted a review of the firm's compliance with NASD Rules applicable to trade reporting in TRACE for the period October 1, 2006 through December 31, 2006 ("4Q06 review period"). The staff reviewed a sample of 300 transactions from 1,467 potentially late or inaccurate reports to TRACE.

In Market Regulation Review No. 20070090697, the staff conducted a review of the firm's compliance with NASD Rules applicable to trade reporting in TRACE for the period January 1, 2007 through March 31, 2007 ("1Q07 review period"). The staff reviewed a sample of 71 transactions from 686 potentially late or inaccurate reports to TRACE.

In connection with Market Regulation Review No. 20060046649,

1. The firm failed to report to TRACE 320 transactions in TRACE-eligible securities executed on a business day during TRACE system hours within 15 minutes of the time of execution. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6230(a).

In connection with Market Regulation Review No. 20070077964,

2. The firm failed to report to TRACE 300 transactions (or 100 percent of the sample reviewed) in TRACE-eligible securities executed on a business day during TRACE system hours within 15 minutes of the time of execution. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6230(a).
3. The firm failed to report to TRACE the correct time of trade execution for the above-referenced 300 transactions (100 percent of the sample) in TRACE-eligible securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6230(c)(8).

In connection with Market Regulation Review No. 20070090697,

4. The firm failed to report to TRACE 71 transactions (or 100 percent of the sample reviewed) in TRACE-eligible securities executed on a business day during TRACE system hours within 15 minutes of the time of execution. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6230(a).

In connection with Market Regulation Review Nos. 20060046649, 20070077964, and 20070090697,

5. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of NASD. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, concerning TRACE reporting during each of the abovementioned reviews: namely, [(b), (c) and (d)] in Review No. 20060046649 and [(b) and (d)] during Review Nos. 20070077964, and 20070090697. The conduct described in this paragraph constitutes violations of NASD Conduct Rules 2110 and 3010.

B. The firm also consents to the imposition, at a maximum, of the following sanctions:

A censure, a fine of \$23,000 (consisting of \$6,000 for the TRACE reporting violations for each of the abovementioned three reviews and \$5,000 for the combined supervisory findings from the above three reviews), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.5. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in this paragraph; and, (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudice of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM 8310-3; and
 - 4. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. The firm may attach a *Corrective Action Statement* to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that the firm may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The firm certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

8-4-08
Date

Respondent
BGC Financial, L.P.

By: Roger C. Campbell
Name: Roger C. Campbell
Title: CEO & Pres.

Reviewed by:

Wayne M. Aaron
Attorney Name Wayne M. Aaron
Counsel for Respondent
Firm Name Milbank, Tweed
Address One Chase Manhattan Plaza
City/State/Zip NY, NY 10005
Phone Number 212/530-5284

Accepted by FINRA:

8/14/08
Date

Signed on behalf of the
Director of ODA, by delegated authority

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA, or its staff.

In connection with Market Regulation Review No. 20060046649 (4Q05 review period), the firm, in 2006, began reporting to TRACE transactions in TRACE-eligible securities brokered on a "give-up" basis, and amended its written supervisory procedures to require TRACE reporting for give-up transactions. Prior to receipt of NASD's initial inquiry letter, the firm (through its counsel) unsuccessfully sought interpretive guidance from NASD with respect to its obligation, if any, as an inter-dealer broker to report to TRACE transactions in TRACE-eligible securities executed on a "give-up" basis.

In connection with Market Regulation Review No. 20070077964 (4Q06 review period), the firm, prior to receipt of NASD's initial inquiry letter, identified and corrected the systems issue that cause the firm to submit incorrect trade execution times and late reports.

In connection with Market Regulation Review No. 20070090697 (1Q07 review period), the firm implemented a number of corrective actions, which have significantly and consistently reduced late reports to levels at or better than industry and peer averages. These corrective actions include additional support staff dedicated to TRACE reporting, the creation of exception reports designed to identify individuals with excessive number of trade corrections (causing late reports) and most significantly, the additional layer of supervisory review conducted by the firm's VP, Internal Controls, who reviews web-based TRACE Alerts on a real-time basis as well as the TRACE Quality of Markets Report Card and exception reports to identify and address any reporting issues. As an additional step, the firm's supervisory procedures have been revised to require designated supervisors and the VP, Internal Controls to sample and retain copies of underlying order tickets or order memoranda used to compare and validate the accuracy of the firm's TRACE reports.

In connection with all of the above reviews, the firm has further revised its written supervisory procedures to ensure they meet or exceed the cited minimum requirements for adequate written supervisory procedures including: (i) specific identification of the individual(s) responsible for supervision; (ii) the supervisory steps and review to be taken by the appropriate supervisor; (iii) the frequency of such reviews; and (iv) how such reviews shall be documented.

In light of the above, the firm is confident that its supervisory system provides for supervision reasonably designed to achieve compliance with respect to applicable securities laws and regulations, and NASD Rules.