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**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090201999-01**

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

RE: Cantor Fitzgerald & Co., Respondent
Broker-Dealer
CRD No. 134

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Cantor Fitzgerald & Co. (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 has been a member of FINRA since February 16, 1945, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On August 11, 2009, FINRA accepted an AWC that imposed a censure and a fine of \$135,000, which included a fine of \$10,000 for trade reporting violations and \$10,000 for short sale violations. Also on August 11, 2009, FINRA accepted an AWC that imposed a censure and a fine of \$10,000 for Order Audit Trail System ("OATS") violations.

SUMMARY

In connection with matter 20090201999, the Trace Reporting and Compliance Engine ("TRACE") Corporate Bonds staff of FINRA's Department of Market Regulation ("TRACE staff") reviewed the firm's compliance with rules applicable to TRACE reporting during the period July 1, 2009 through September 30, 2009 (the "TRACE review period").

In connection with matter 20100216514, the Trade Reporting staff of FINRA's Department of Market Regulation ("TR staff") reviewed the firm's compliance with rules applicable to equity trade reporting during the period September 1, 2009 through December 31, 2009 (the "TR review period").

In connection with matter 20100215904, the Trading and Market Making Surveillance ("TMMS") staff of FINRA's Department of Market Regulation (the "TMMS staff") conducted the 2010 TMMS examination wherein the staff reviewed the items set forth on Exhibit 1, which is attached hereto and incorporated herein by reference, for trade dates August 18-19, 2010, unless otherwise noted (the "TMMS review period").

FACTS AND VIOLATIVE CONDUCT

20090201999 (TRACE matter)

1. During the TRACE review period, the firm failed to report to TRACE the correct time of trade execution for 549 transactions in TRACE-eligible securities. The firm also failed to report to TRACE these same 549 transactions within 15 minutes of the time of execution. These 549 reports constituted 24% of the 2,302 inter-dealer reports that the firm submitted to TRACE during the TRACE review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 6730(c)(8) and 6730(a), and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
2. The firm failed to show the correct time of execution on the memorandum of 423 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.

20100216514 (Trade Reporting matter)

3. The firm failed to accept or decline in the FINRA/Nasdaq Trade Reporting Facility 2,119 transactions in Reportable Securities within 20 minutes after execution. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7230A(b).

20100215904 (TMMS matter)

4. During the TMMS review period, the firm executed 703 short sale orders and failed to properly mark the orders as short. In two instances, the firm also failed to properly mark a sell order as long. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 200(g) of Regulation SHO.
5. During the TMMS review period, the firm, on 567 occasions, accepted a short sale order in an equity security from another person, or effected a short sale in an equity security for its own account, without (1) borrowing the security, or entering into a bona-fide arrangement to borrow the security; or (2) having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due; and (3) documenting compliance with SEC Rule 203(b)(1) of Regulation SHO. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 203(b)(1) of Regulation SHO.
6. The firm failed to report to the FINRA/Nasdaq Trade Reporting Facility ("TRF") the correct symbol indicating whether the transaction was a buy, sell, sell short, or cross for 140 transactions in Reportable Securities. In 19 instances, the firm also failed to report to the FINRA/Nasdaq TRF the correct Related Market Center code. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7230A.
7. During the TMMS review period, the firm transmitted to OATS 12 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, in eight instances, the firm submitted an inaccurate time in force code to OATS; in three instances, the firm submitted a DS report in lieu of an NW report for a new order; and in one instance, the firm submitted an inaccurate order receipt time and account type code for an order. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.

B. The firm also consents to the imposition of the following sanctions:

A censure and \$53,500 fine (\$8,500 for the TRACE reporting violations, \$2,500 for the TRACE recordkeeping violations, \$12,500 for the 20 Minute Rule violations, \$10,000 for the short sale order marking violations, \$7,500 for the short sale locate violations, \$7,500 for the trade reporting violations, and \$5,000 for the OATS violations).

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 Complaint issued specifying the allegations against the firm;
- B. To be notified of the 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 National Adjudicatory Council ("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 prejudgment 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 FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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 FINRA 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 FINRA Rule 8313; 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 it 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 undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf 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.

7/16/12
Date

CANTOR FITZGERALD & CO.
Respondent

By: [Signature]
Name: Shawn P. Matthe
Title: CEO

Reviewed by:

Counsel for Respondent
Firm Name
Address
Phone Number



Accepted by FINRA:

9/2/12
Date

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

[Signature]
Thomas R. Gira
Executive Vice President
Department of Market Regulation

2010 Market Regulation Examination Samples
Cantor Fitzgerald Co. ("CANT")
Exam No. 20100215904
Sample Source/Period*: August 18 - 19, 2010 Trade Date(s)

<u>Sample</u>	<u>Sample Description</u>
<u>Size</u>	
729	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
1838	Short Sales reviewed for compliance with SEC Rule 203(b) security location requirements
0	Sales reviewed for compliance with SEC Rule 204 fail-to-deliver requirements
473	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624
51	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
55	Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
53	Sell orders entered into BATS Exchange execution system for compliance with BATS Rule 11.19 long/short reporting requirements
88	Non-tape reported trades to the TRF, ADF or OTCRF with a Related Market Center Indicator reviewed for compliance with FINRA Rules 7230A, 7330(h), and 7130(d)(2)
15	Cancelled Trades reviewed for reporting requirements to the TRF, ADF, and OTCRF for compliance with FINRA Rules 6380A, 6282, and 6622
0	Additional MPIDs and Sponsored Access activity for compliance with FINRA, Nasdaq, BATS and SEC Rules.
N/A	ATS/ECN subscriber trades reported to the TRF, OTCRF or ADF for compliance with FINRA Rules 6380, 6622, and 6282
0	Limit orders for NMS securities in which the member acts as an exchange market maker for compliance with the display requirements of SEC Rules 602 and 604, and Nasdaq Rule 3390
19	Orders for compliance with best execution requirements of NASD Rule 2320
0	Held orders from the Held Order Protection Review
10	Not Held orders from the Not Held Order Review
0	Order executed with a .PRP (Prior Reference Price) trade modifier
9	Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
0	Orders for compliance with order protection requirements of NASD Rules 2110, IM-2110-2, 2111, and Nasdaq Rules 2110, IM-2110-2, and 2111
0	Open Limit orders to buy and/or open Stop orders to sell securities that traded ex-dividend for compliance with FINRA Rule 5330 and Nasdaq Rule 4761

2010 Market Regulation Examination Samples
Cantor Fitzgerald Co. ("CANT")
Exam No. 20100215904
Sample Source/Period*: August 18 - 19, 2010 Trade Date(s)

0	Order memoranda and Net Trading agreements for compliance with FINRA Rule 2124 requirements
50	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements
116	Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10
25	Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements
0	Data sets published for 2010 monthly order execution report for compliance with SEC Rule 605 requirement to publish accurate data (a 'data set' encompasses all required statistical data for single security and order type/size category as described in SEC Rule 605)
3rd Quarter	Quarterly Routing Report for compliance with SEC Rule 606 requirements
20	CRD registration records for persons conducting and/or supervising Firm's trading and/or market making activities for compliance with NASD Rule Series 1020, 1030, 1040; Nasdaq Rule Series 1020, 1030, 1040; and BATS Rule 11.4
9	Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
0	Disclosures to customers relating to trading in the Extended Hours session for compliance with FINRA Rule 2265 and Nasdaq Rule 4631
2559	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110
659	Trades reported to a TRF or OTCRF for compliance with FINRA Rules 6380A and 7230A or 6622 and 7330
All Provided	Member's "Regular & Rigorous" review procedures regarding order execution quality for compliance with NASD Rules 2320 and 3010
All Provided	Member's supervisory and operational policies and procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Regulation NMS Rule 611
All Provided	Member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing execution of the WSPs for compliance with NASD Rule 3010, Nasdaq Rule 3010, or BATS Rule 5.1 requirements