

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100216453-01**

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

RE: BGC Financial, L.P., Respondent
Broker-Dealer
19801

Pursuant to FINRA Rule 9216 of FINRA's 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

BGC Financial, L.P. ("BGC" or the "firm") has been a member of FINRA since July 25, 1987 and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

In November 2007, FINRA accepted an AWC (20060037699) wherein the firm was censured and fined a total of \$7,500 for Trade Reporting and Compliance Engine ("TRACE") reporting violations which occurred during the period of August 2005 to March 2006, and recordkeeping violations which occurred from March 2005 through May 2005.

In August 2008, FINRA accepted an AWC (20060046649) in which the firm was censured and fined \$23,000 for TRACE reporting violations and related supervisory deficiencies that occurred during the fourth quarter of 2005, the fourth quarter of 2006, and the first quarter of 2007.

In August 2009, FINRA accepted an AWC (20080143763) wherein the firm was censured and fined \$20,000 for TRACE reporting and recordkeeping violations that occurred in the second quarter of 2008.

SUMMARY

In connection with Matter No. 20100216453, the staff of the Department of Market Regulation (the "staff") conducted a regulatory sweep to identify trades in TRACE-eligible corporate debt securities for which the firm may have reported an incorrect time of execution during the period of October 1, 2009 through December 31, 2009.

In connection with Matter No. 20100247125, the staff conducted a regulatory sweep to identify whether the firm timely reported transactions in TRACE-eligible corporate debt securities during the period of April 1, 2010 through June 30, 2010.

In connection with Matter No. 20110274714, the staff conducted a regulatory sweep to identify trades in TRACE-eligible agency debt securities for which the firm may have reported an incorrect time of execution during the period of January 1, 2011 through March 31, 2011.

In connection with Matter No. 20110283262, the staff conducted a regulatory sweep to identify whether the firm timely reported transactions in TRACE-eligible corporate debt securities during the period of January 1, 2011 through March 31, 2011.

In connection with Matter No. 20110283992, the staff conducted a regulatory sweep to identify trades in TRACE-eligible corporate debt securities for which the firm may have reported an incorrect time of execution during the period of January 1, 2011 through March 31, 2011.

In connection with Matter No. 20110279085, the staff reviewed the firm's compliance with the Order Audit Trail System ("OATS") reporting requirements during the period of January 1, 2010 through April 30, 2011.

FACTS AND VIOLATIVE CONDUCT

20100216453

1. During the period of October 1, 2009 through December 31, 2009, the firm failed to report to TRACE 1,647 transactions in TRACE-eligible corporate debt securities within 15 minutes of the time of execution. The firm also reported these 1,647 transactions to TRACE with an inaccurate trade execution time. These late and inaccurate reports constituted 32.13% of the 5,126 matched inter-dealer reports in TRACE-eligible

corporate debt securities that the firm reported to TRACE under its market participant identifier (“MPID”) “EKBR” during this review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 6730(a) and 6730(c)(8), and a pattern or practice of late reporting without exceptional circumstances, in violation of FINRA Rule 2010.

20100247125

2. During the period of April 1, 2010 through June 30, 2010, the firm failed to report to TRACE 1,083 S1 transactions in TRACE-eligible corporate debt securities within 15 minutes of the time of execution.¹ These late transactions constituted 4.03% of the 26,843 S1 transactions in TRACE-eligible corporate debt securities that the firm reported to TRACE during this review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances, in violation of FINRA Rule 2010.

20110274714

3. During the period of January 1, 2011 through March 31, 2011, the firm failed to report to TRACE 63 S1 transactions in TRACE-eligible agency debt securities within 15 minutes of the time of execution. The firm also reported these 63 transactions to TRACE with an inaccurate trade execution time. These late and inaccurate reports constituted 21.3% of the 296 S1 matched inter-dealer reports in TRACE-eligible agency debt securities that the firm reported to TRACE during this review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 6730(a) and 6730(c)(8).

20110283262

4. During the period of January 1, 2011 through March 31, 2011, the firm failed to report to TRACE 1,161 S1 transactions in TRACE-eligible corporate debt securities within 15 minutes of the time of execution. These late transactions constituted 3.77% of the 30,785 S1 transactions in TRACE-eligible corporate debt securities that the firm reported to TRACE during this review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances, in violation of FINRA Rule 2010.

¹ Effective March 1, 2010, FINRA requires firms to indicate whether a reported trade is a secondary market trade or primary market trade executed at market price (“S1 transactions”), or if the trade is a primary market trade that qualifies as a List or Fixed Offering Price Transaction or a Takedown Transaction (“P1 transactions”). Prior to this change, TRACE reported real-time pricing and trade volume information only on corporate bond trading in the secondary market.

20110283992

5. During the period of January 1, 2011 through March 31, 2011, the firm failed to report to TRACE 1,683 transactions in TRACE-eligible corporate debt securities within 15 minutes of the time of execution. The firm also reported 1,764 transactions in TRACE-eligible corporate debt securities to TRACE with an inaccurate trade execution time. The 1,764 inaccurate reports constituted 11.67% of the 15,118 S1 matched inter-dealer reports in TRACE-eligible corporate debt securities that the firm reported to TRACE under its MPID "EKBR" during this review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 6730(a) and 6730(c)(8).

20110279085

6. During the period of January 1, 2010 through April 30, 2011, the firm failed to transmit 1,709 Reportable Order Events ("ROEs") to OATS over 245 business days. These 1,709 ROEs represented 100% of the ROEs that the firm was required to transmit to OATS under the MPID "EBKR" during this review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450(a).
7. During the period of January 1, 2010 through April 30, 2011, the firm failed to enforce its written supervisory procedures related to OATS reporting by failing to identify preferred share transactions effected by the trading desk operating under the MPID "EBKR" as ROEs. The conduct in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

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

A censure and a fine of \$100,000 (comprised of \$85,000 for the TRACE reporting violations; \$10,000 for the OATS non-reporting violations; and \$5,000 for the supervisory-related violations pertaining to the OATS non-reporting 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.

7/25/12
Date

Respondent
BGC Financial, L.P.

By: [Signature]

Name: LOUIS J. SCOTTO

Title: Chief Executive Officer

Accepted by FINRA:

8/31/12
Date

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

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