

FINRA

FINANCIAL INDUSTRY REGULATORY AUTHORITY 2013 OCT 14 PM 12: 22
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120336580-01

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

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

The firm became a member of FINRA on July 25, 1987, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has the following relevant disciplinary history:

On August 18, 2008, FINRA accepted an AWC in which the firm was censured and fined \$23,000 of which \$18,000 related to violations of NASD Rule 6230.

On August 11, 2009, FINRA accepted an AWC in which the firm was censured and fined \$20,000 for violations of NASD Rules 3110 and 6230 and SEC Rule 17a-3.

On September 4, 2009, FINRA accepted an AWC in which the firm was censured and fined \$100,000 for violations of NASD Rules 2110, 4632 and 6130.

On August 31, 2012, FINRA accepted an AWC in which the firm was censured and fined \$100,000, \$85,000 of which related to violations of FINRA Rule 6730.

On April 25, 2013, FINRA accepted an AWC in which the firm was censured and fined \$40,000 of which \$25,000 related to violations of FINRA Rule 6730, SEC Rule 17a-3 and NASD Rule 3010 and of which \$15,000 related to violations of FINRA Rules 2010, 6380A and 6622.

SUMMARY

In connection with matter 20120336580, the staff of the Department of Market Regulation (the “staff”) reviewed the firm’s trade reporting to the Trade Reporting and Compliance Engine (“TRACE”) during the period from February 6 through June 30, 2012.

In connection with matter 20120345134, the staff reviewed the firm’s trade reporting to the OTC Reporting Facility (“OTCRF”) during the period from January 1 through April 30, 2012.

In connection with matters 20120345524, 20120347432 and 20120345468, the staff reviewed the firm’s trade reporting to TRACE during the period from July 1 through September 30, 2012.

In connection with matters 20130357729, 20130358996 and 20130359627, the staff reviewed the firm’s trade reporting to TRACE during the period from October 1 through December 31, 2012.

FACTS AND VIOLATIVE CONDUCT

In connection with review 20120336580:

1. During the period February 6 through June 30, 2012, the firm failed to report the correct time of trade execution for 147 S1 transactions in TRACE-eligible Corporate Debt Securities. These inaccurate reports constituted 11 percent of the 1,308 S1 matched inter-dealer reports that the firm reported to TRACE during the reviewed period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
2. The firm failed to report to TRACE 147 S1 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These transactions constituted 11 percent of the inter-dealer transactions in TRACE-eligible Corporate Debt Securities that the firm reported to TRACE during the reviewed 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.

3. The firm failed to show the correct time of execution on the memorandum of 147 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and FINRA Rule 4511(a).
4. The firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning TRACE reporting. The conduct described in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

In connection with review 20120345134:

5. The firm failed, within 30 seconds after execution, to transmit to the OTCRF 202 last sale reports of transactions in OTC Equity Securities. These transactions constitute 42 percent of the transactions reviewed that the firm reported to the OTCRF during the reviewed period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6622(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
6. The firm failed, within 30 seconds after execution, to transmit to the OTCRF 22 last sale reports of transactions in OTC Equity securities and failed to designate to the OTCRF such last sale reports as late. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6622(a).
7. The firm failed to provide documentary evidence that during the reviewed period it performed the supervisory reviews set forth in its written supervisory procedures concerning the trade reporting of OTC Equity Securities. The conduct described in this paragraph constitutes a violation of FINRA Rules 2010 and NASD Rule 3010.

In connection with review 20120345524:

8. During the period July 1 through September 30, 2012, the firm failed to report the correct time of trade execution for 1,715 S1 transactions in TRACE-eligible Corporate Debt Securities. These inaccurate reports constituted 11 percent of the 15,129 S1 matched inter-dealer reports that the firm reported to TRACE during the reviewed period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
9. The firm failed to report to TRACE 1,704 S1 transactions in TRACE-eligible Corporate Debt Securities within 15 minutes of the time of execution. These transactions constituted 11 percent of the inter-dealer transactions in TRACE-eligible Corporate Debt Securities that the firm reported to TRACE during the reviewed 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.

10. The firm failed to show the correct time of execution on the memorandum of 1,715 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and FINRA Rule 4511(a).
11. The firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning TRACE reporting. The conduct described in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

In connection with matter 20120347432:

12. During the period July 1 through September 30, 2012, the firm failed to report to TRACE 113 block S1 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted 10 percent of all block transactions in TRACE-eligible securities that the firm reported during the reviewed 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.

In connection with review 20120345468:

13. During the period July 1 through September 30, 2012, the firm failed to report to TRACE the correct time of trade execution for 538 transactions in TRACE-eligible Securitized Products. These inaccurate reports constituted 30 percent of the 1,807 matched inter-dealer reports that the firm reported to TRACE during the reviewed period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
14. The firm failed to show the correct time of execution on the memorandum of 538 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and FINRA Rule 4511(a).

In connection with review 20130357729:

15. During the period October 1 through December 31, 2012, the firm failed to report the correct time of trade execution for 1,829 S1 transactions in TRACE-eligible Corporate Debt Securities. These inaccurate reports constituted 16 percent of the 12,066 S1 matched inter-dealer reports that the firm reported to TRACE during the reviewed period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).

16. The firm failed to report to TRACE 1,829 S1 transactions in TRACE-eligible Corporate Debt Securities within 15 minutes of the time of execution. These transactions constituted 16 percent of the inter-dealer transactions in TRACE-eligible securities that the firm reported to TRACE during the reviewed 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.
17. The firm failed to show the correct time of execution on the memorandum of 1,829 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and FINRA Rule 4511(a).
18. The firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning TRACE reporting. The conduct described in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

In connection with 20130358996:

19. During the period October 1 through December 31, 2012, the firm failed to report to TRACE the correct time of trade execution for 1,264 transactions in TRACE-eligible Securitized Products. These inaccurate reports constituted 19 percent of the 6,597 matched inter-dealer reports that the firm reported to TRACE during the reviewed period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
20. The firm failed to show the correct time of execution on the memorandum of 1,264 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and FINRA Rule 4511(a).

In connection with review 20130359627:

21. During the period October 1 through December 31, 2012, the firm failed to report to TRACE 1,620 S1 transactions in TRACE-eligible Corporate Debt Securities within 15 minutes of the time of execution. These transactions constituted six percent of the inter-dealer transactions in TRACE-eligible Corporate Debt Securities that the firm reported to TRACE during the reviewed 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.
22. The firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning TRACE reporting. The conduct described 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 \$85,000 (consisting of an \$70,000 fine for the TRACE trade reporting, books and records, and TRACE-related supervision violations; and a \$10,000 fine for the equity trade reporting violations and a \$5,000 fine for the supervision violation identified in 20120345134).

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: (i) testimonial obligations; or (ii) 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.

Date 10/11/2013

By: _____

Title: CEO

11/4/13
Date