

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120340966-01**

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, Respondent Cantor Fitzgerald & Co. ("CFCO" or 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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 April 2, 2013, FINRA accepted an AWC in connection with 20120316772 in which the firm was fined \$17,500, of which \$10,000 was for TRACE reporting violations that occurred from October 1, 2011 through February 3, 2012.

On September 7, 2012, FINRA accepted an AWC in connection with 20090201999 in which the firm was fined \$53,500, of which \$11,000 was for TRACE reporting violations that occurred from July 1, 2009 through September 30, 2009.

STAR No. 20120340966 (includes 20130385415, 20130377853, 20130377894, 20130387955, 20130388646, and 20140401103) (CJC)

On February 17, 2011, FINRA accepted an AWC in connection with 20080163841 in which the firm was fined \$15,000 of which \$7,500 was for TRACE reporting violations that occurred from July 1, 2007 through September 30, 2007.

SUMMARY

In connection with 20120340966, FINRA's Market Regulation Department ("Market Regulation") reviewed the firm's compliance with FINRA Rule 6460 during the period from April 1, 2012 through June 30, 2012 (the "2Q12 period").

In connection with 20130385415, Market Regulation reviewed the firm's compliance with FINRA Rule 6460 during the period from April 1, 2013 through June 30, 2013 (the "2Q13 period").

In connection with 20130377853 and 20140401103, the staff of FINRA's Market Regulation Department ("Market Regulation") reviewed the firm's compliance with TRACE requirements for corporate bond transactions during the 2Q13 period and October 1, 2013 through December 31, 2013 (the "4Q13 period"), respectively.

In connection with 20130387955, Market Regulation reviewed the firm's compliance with TRACE requirements for agency bond transactions during the period July 1, 2013 through September 30, 2013 (the "3Q13 period").

In connection with 20130377894 and 20130388646, Market Regulation reviewed the firm's compliance with TRACE requirements for transactions involving securitized products during the 2Q13 and 3Q13 periods, respectively.

As a result of its reviews, the Market Regulation staff found violations of limit order display and TRACE reporting requirements as set forth below.

FACTS AND VIOLATIVE CONDUCT

20120340966 (2Q12 LOD review)

1. During the 2Q12 period, the firm failed to publish immediately a bid or offer that reflected the price and the full size of nine customer limit orders for OTC Equity Securities held by the firm that were at a price that would have improved the bid or offer of the firm in such securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6460.

20130385415 (2Q13 LOD review)

2. During the 2Q13 period, the firm failed to publish immediately a bid or offer that reflected the price and the full size of nine customer limit orders for OTC Equity Securities held by the firm that were at a price that would have improved the bid or offer of the firm in such securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6460.

20130377853 (2Q13 TRACE corporate review)

3. During the 2Q13 period, the firm failed to report to TRACE the correct time of execution for 300 S1 corporate bond transactions, and failed to report to TRACE these same 300 transactions within 15 minutes of the time of execution. These transactions constituted 6.8 percent of the 4,439 matched inter-dealer reports involving corporate bonds that were reported by the firm to TRACE during the 2Q13 period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8) (for inaccurate reporting) and FINRA Rule 6730(a) (for late reporting).
4. The firm failed to show the correct time of execution on the memorandum of these same 300 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and FINRA Rule 4511.
5. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of FINRA, concerning TRACE reporting. Specifically, the firm's supervisory system did not include, as one of the supervisory steps set forth in the firm's written supervisory procedures, a review reasonably designed to ensure the accuracy of execution times reported to TRACE. The conduct described in this paragraph constitutes a violation of NASD Rule 3010 and FINRA Rule 2010.

20140401103 (4Q13 TRACE corporate review)

6. During the 4Q13 period, the firm failed to report to TRACE 427 S1 corporate bond transactions within 15 minutes of the time of execution. These late reports constituted 3.5 percent of the 12,290 corporate bond transactions reported by the firm to TRACE during the 4Q13 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.

20130387955 (3Q13 TRACE Agency review)

7. During the 3Q13 period, the firm additionally failed to report to TRACE 108 agency bond transactions within 15 minutes of the time of execution. These late reports constituted 8.4 percent of the 1,283 agency bond transactions reported by the firm to TRACE during the 3Q13 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.

20130377894 (2Q13 TRACE SP review)

8. During the 2Q13 period, the firm failed to report to TRACE the correct time of execution for 290 transactions involving securitized products. These transactions constituted 7.2 percent of the 4,008 matched inter-dealer reports involving securitized products that were reported by the firm to TRACE during the 2Q13 period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
9. The firm failed to show the correct time of execution on the memorandum for 286 of these same brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and FINRA Rule 4511.

20130388646 (3Q13 TRACE SP review)

10. During the 3Q13 period, the firm failed to report to TRACE 374 transactions involving securitized products within the time permitted. These late reports constituted 4.6 percent of the 8,145 transactions involving securitized products that were reported by the firm to TRACE during the 3Q13 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.

B. Respondent also consents to the imposition of the following sanctions:

A censure and a fine of \$65,000 (\$7,500 for the LOD violations in 2Q12; \$7,500 for the LOD violations in 2Q13; \$5,000 for the supervision violation; \$17,500 for the reporting and recordkeeping violations in the 2Q13 reviews; \$17,500 for the reporting violations in the 3Q13 reviews; and \$10,000 for the reporting violations in the 4Q13 review), and an undertaking to revise the firm's written supervisory procedures with respect to the areas discussed in paragraph A.5. above. 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 paragraph A.3. above; 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

Respondent 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, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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.

Respondent 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.

10/31/17
Date

By: [Signature]
Name: She P. Math
Title: CEO

Counsel for Respondent

11/25/14
Date


Gerard P. Finn
Chief Counsel
Department of Market Regulation