

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130357202-01**

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

RE: Cantor Fitzgerald & Co., Respondent ("Cantor" or the "Firm")
BD No. 134

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, the Respondent 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The 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

Cantor has been a FINRA member firm since 1945, and is a member of the Municipal Securities Rulemaking Board ("MSRB"). Cantor employs approximately 650 registered individuals at approximately 26 branch offices, and is headquartered in New York, New York. The Firm's primary business activities include trading in equity, corporate, government, mortgage-backed and municipal securities and financial futures.

RELEVANT DISCIPLINARY HISTORY

In June 2011, Cantor entered into an AWC with FINRA through which it consented to the entry of findings that the Firm failed to, among other things, report the correct time of municipal order execution in 100% of 48 sampled trade reports submitted to the MSRB's Real-Time Reporting System ("RTRS") between February 1, 2009, and April 30, 2009, in violation of MSRB Rule G-14. The Firm was censured and fined \$12,500, of which \$7,500 related to the violation of Rule G-14.

In July 2009, Cantor entered into an AWC with FINRA through which it consented to the entry of findings that it failed to disclose required yield information on customer confirmations in connection with 192 transactions in municipal securities, in violation of MSRB Rule G-15, and failed to maintain order memoranda showing the time of receipt of 38 orders involving municipal securities, in violation of MSRB Rule G-8. Cantor also consented to the entry of findings that Cantor: (i) failed to disclose required yield information on customer confirmations in connection with 4,919 corporate securities transactions, in violation of Securities Exchange Act Rule 10b-10 and NASD Conduct Rule 2110; (ii) failed to maintain order memoranda showing the time of receipt and time of execution of 60 orders in corporate securities, in violation of Securities Exchange Act Rule 17a-3 and NASD Conduct Rules 3110 and 2110; and (iii) violated certain provisions of Rule 203(b) of SEC Regulation SHO with respect to equity securities. The Firm was censured and fined \$140,000.

OVERVIEW

This matter concerns the Firm's violation in April and May 2013 (the "Relevant Period") of MSRB Rules G-14 and G-15, and its failure to reasonably implement its written supervisory procedures ("WSPs") for reviewing municipal trade reporting during the Relevant Period, in violation of MSRB Rule G-27.

FACTS AND VIOLATIVE CONDUCT

1. MSRB Rule G-14 provides that municipal securities dealers have an ongoing obligation to report information about each purchase and sale transaction effected in municipal securities promptly, accurately, and completely to the RTRS.

During the Relevant Period, Cantor effected 823 transactions in municipal securities. Of these 823 transactions, Cantor: (i) failed to report 37 transactions; (ii) over-reported 19 transactions; and (iii) reported 56 transactions with inaccurate information. In summary, Cantor either failed to report, over-reported, or misreported information for 112 out of 823 trades during the Relevant Period, a failure rate of 13.6 percent.

By reason of the foregoing, Cantor violated MSRB Rule G-14.

2. MSRB Rule G-15 provides that municipal securities dealers must provide customers with a written confirmation at the time of or before the completion of a transaction in municipal securities. The confirmation must include, among other things: (i) a designation that the municipal security is federally taxable; (ii) a notation if the securities are subject to call prior to maturity through any means; and (iii) information regarding the security's yield.

During the Relevant Period, Cantor failed to provide confirmations in connection with 49 transactions in municipal securities. Additionally, Cantor

sent 15 confirmations to customers that failed to include: (i) the yield quoted to the customer at the time of execution; (ii) the taxable nature of the underlying bonds; and (iii) the fact that the underlying bonds were subject to a call or sinking fund redemption. Of these 15 incomplete confirmations, 10 incorrectly stated non-callable bonds' "yield to average life," rather than stating their "yield to worst." In summary, Cantor either failed to provide a confirmation or provided an incomplete and/or inaccurate confirmation in connection with 64 municipal securities transactions, a failure rate of 7.8 percent.

By reason of the foregoing, Cantor violated MSRB Rule G-15.

3. MSRB Rule G-27(a) requires municipal securities dealers to supervise its municipal securities activities to ensure compliance with the rules of the MSRB, which include rules regarding the reporting of municipal securities transactions.

During the Relevant Period, Cantor's WSPs stated that the Firm would conduct reviews of its municipal trade reporting. For example, the WSPs provided that the Firm would regularly compare RTRS data to the Firm's trading data, and that the Firm would review MSRB exception reports to identify potential reporting errors. However, Cantor failed to reasonably implement these procedures, or a reasonable alternative review process. As a result, the Firm failed to detect its erroneous reporting of municipal transactions during the Relevant Period.

By reason of the foregoing, Cantor violated MSRB Rule G-27.

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

- a censure; and
- a fine in the amount of \$50,000, all of which pertains to the violations of MSRB Rules G-14, G-15 and G-27.

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

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

The 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 Respondent;
- 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 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.

The 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 Respondent 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 Respondent; and

C. If accepted:

1. this AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Respondent;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the Respondent'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 Respondent 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 Respondent 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 Respondent'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 Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Respondent 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 the Firm has agreed to its 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.

11/18/14
Date (mm/dd/yyyy)

Respondent
Cantor Fitzgerald & Co. (BD No. 134)

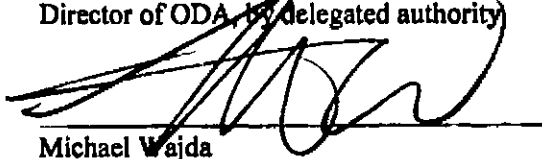
By:

[Name and Title]

Accepted by FINRA:

December 10, 2014
Date

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

A handwritten signature in black ink, appearing to read 'Michael Wajda', is written over a horizontal line.

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