

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140412331-01**

TO: Department of Enforcement
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 became a member of FINRA on February 16, 1945, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has no relevant disciplinary history.

SUMMARY

In connection with matter 20140412331, the Fixed Income Investigations staff of the Department of Market Regulation (the "staff") reviewed the firm's supervision of potential wash sales and prearranged trading during the period from January 1 through March 31, 2013 (the "review period").

Based on the review, the staff determined that the firm violated FINRA Rule 2010 and NASD Rule 3010.

FACTS AND VIOLATIVE CONDUCT

1. FINRA Rule 2010 stated: "A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."
2. NASD Rule 3010 stated, in relevant part: "Each member shall establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD Rules."
3. During the review period, CFCO had an "aging" policy that limited the amount of time that bonds could be held in inventory. The policy had three primary goals: (1) to encourage active trading of portfolios; (2) to ensure that trading positions were regularly turned over, thereby minimizing the accumulation of "stale" positions that could negatively impact profits or valuations; and (3) to enforce balance sheet discipline. CFCO's policy further prohibited "trades that are solely meant to avoid the holding period limitations and 'reset the clock' to zero[.]" Finally, CFCO had a policy forbidding pre-arranged trading, defined in its written supervisory procedures as "[a]n offer to sell coupled with an offer to buy back at the same or a higher price, or the reverse."
4. During the review period, Firm B was an affiliate of CFCO.
5. Between January 4, 2013 and April 23, 2013, Ning Lin ("Lin"), a trader on CFCO's Emerging Markets Desk, effectuated at least 16 transaction pairs in which he would contact a trader at Firm B and simultaneously buy and then sell, or sell and then buy, the same quantity of the same bonds. In each instance, Lin dictated both prices ahead of the trades and the ensuing trades entered by the Firm B trader matched those prices. Lin initiated these trades in order to re-establish the entry time of the bonds and thereby circumvent CFCO's aged inventory policy. Consequently, Lin engaged in pre-arranged trading that resulted in the publication of non-bona fide trades.¹
6. During the review period, the firm failed to establish and maintain a supervisory system and written supervisory procedures reasonably designed to enable the firm's supervisory personnel to perform an adequate review for potential wash sales and prearranged trades, including the prearranged trades effectuated by CFCO's trader, Lin. Specifically, the firm's supervisory system relied on a manual review of trade blotters, which was not reasonable given the trading volume of the firm. The firm also failed to provide trader communications to supervisors as part of their supervisory reviews. Additionally, the firm's written supervisory procedures failed to state the specific steps the designated supervisor was required to take in reviewing for potential wash sales and prearranged trades. The conduct described in this paragraph constitutes violations of FINRA Rule 2010 and NASD Rule 3010.

¹ See Letter of Acceptance, Waiver and Consent, Star No. 20160498883 (Jul. 20, 2016).

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

A censure; a fine of \$25,000; and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.6 above. Within 30 business days of this AWC becoming final, a senior executive of the Respondent shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 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 I.A.6 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

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 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 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 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 accordance with FINRA Rule 8313;
 - 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.**

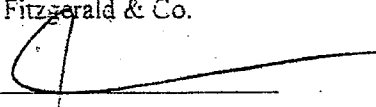
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, 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.

11/5/18

Date

Respondent

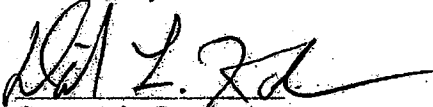
Cantor Fitzgerald & Co.

By: 

Name: James Bond

Title: Chief Operating Officer

Reviewed by:


Counsel for Respondent

Accepted by FINRA:

11/11/18

Date

Signed on behalf of the

Director of ODA, by delegated authority



Gerard P. Finn

Chief Counsel

Department of Enforcement