

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140438204-01**

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

RE: Cantor Fitzgerald & Co., Respondent
Broker-Dealer
CRD No. 134

Pursuant to FINRA 9216 of FINRA's Code of Procedure, Cantor Fitzgerald & Co. (the "firm" or "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 firm 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 became a member of FINRA in February 1945, and its registration remains in effect.

RELEVANT PRIOR DISCIPLINARY HISTORY

On December 9, 2013, FINRA accepted an AWC in which the firm was censured and fined a total of \$37,500, \$10,000 of which pertained to OATS reporting violations. During a two-day review period in September 2012, the firm transmitted ten OATS reports that had inaccurate, incomplete or improperly formatted data, and failed to document all required route information for an OATS order in six instances. The firm was also fined \$5,000, and was subject to an undertaking, for related supervisory violations (Matter No. 20120316469).

On September 7, 2012, FINRA accepted an AWC in which the firm was censured and fined a total of \$53,500, \$5,000 of which pertained to OATS reporting violations. During two trade dates in August 2010, the firm transmitted 12 OATS reports that had inaccurate, incomplete or improperly formatted data (Matter No. 20090210999).

SUMMARY

In Matter No. 20140438204, the staff of the Department of Market Regulation initially reviewed orders entered by the firm during the period between January 1, 2015 and March 31, 2015. In situations in which the firm's clients entered reserve size orders with instructions to display only 100 shares, a firm system issue led the firm to submit such reserve size order information to OATS without including the Special Handling Code "RSV." This issue existed between January 2011 and the present (the "review period"). As a result, the Firm violated FINRA Rules 7450 and 2010, as well as NASD Rule 3010 (for conduct before December 1, 2014) and FINRA Rule 3110 (for conduct as of December 1, 2014).

FACTS AND VIOLATIVE CONDUCT

1. During the review period, when the firm submitted clients' reserve size orders that contained a "max floor" instruction (requesting that the order display a share quantity in an amount less than the order's full share quantity), the corresponding OATS reports submitted by the firm contained inaccurate, incomplete, or improperly formatted data. Specifically, the firm failed to include the Special Handling Code of "RSV."
2. A review of a sample of 22 months during the review period revealed that the firm had failed to include the Special Handling Code of "RSV" in 69,459 instances, which represented 0.73% of the client orders submitted by the firm to OATS during the sample months. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
3. During the review period, 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 FINRA Rules, concerning OATS. Specifically, the firm's written supervisory procedures ("WSPs") failed to specify how often its electronic order tickets are compared to its OATS submissions to ensure that the firm is complying with OATS requirements, and failed to specify the steps to be taken to conduct such comparison. The conduct describe in this paragraph constitutes violations of NASD Rule 3010 (for conduct before December 1, 2014) and FINRA Rules 3110 (for conduct as of December 1, 2014) and 2010.

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

A censure, a fine of \$35,000 (\$25,000 for the OATS violations and \$10,000 for supervision), and an undertaking to: (i) revise the firm's systems with respect to the area described in paragraph I.A.1, and (ii) revise the firm's WSPs with respect to the area described in paragraph I.A.3. Within 60 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the firm 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 system and WSPs to address the above-described deficiencies, and the steps taken to address such deficiency; (3) the date the revised systems and procedures were implemented.

Respondent 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.

Respondent 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.

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

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 Respondent; 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. 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. 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 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. Respondent 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.

11/21/2016
Date

Respondent
Cantor Fitzgerald & Co.

By: 

Name: SHAWN MATTHEWS

Title: CEO

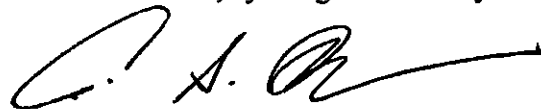
Reviewed by:

Joseph M. La Micela
Attorney Name JOSEPH M. LA MICELA
Counsel for Respondent
Firm Name CANTOR FITZGERALD & CO.
Address 110 EAST 59TH STREET, 7TH FLOOR
City/State/Zip NEW YORK NY 10022
Phone Number 212-294-7886

Accepted by FINRA:

12/5/2016
Date

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



Eric S. Brown
Chief Counsel, Legal Section
FINRA Department of Market Regulation