

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150440081-01

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

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 during the period from October 1, 2009 through March 31, 2011.

On April 25, 2013, FINRA accepted an AWC in which the firm was censured and fined \$40,000, \$25,000 of which related to violations of FINRA Rule 6730, SEC Rule 17a-3 and NASD Rule 3110 during the period from October 1, 2011 through February 3, 2012.

On November 4, 2013, FINRA accepted an AWC in which the firm was censured and fined \$85,000 across eight separate reviews, \$70,000 of which related to violations of FINRA Rules 6730 and 4511(a) and SEC Rule 17a-3 during the period from February 6 through December 31, 2012.

On April 14, 2014, FINRA accepted an AWC in which the firm was censured and fined \$50,000 for violations of FINRA Rules 6730 and 4511 and SEC Rule 17a-3 during the period from January 1 through June 30, 2013.

On July 13, 2015, FINRA accepted an AWC in which the firm was censured and fined \$57,500 for violations of FINRA Rule 6730 during the period from October 1, 2013 through September 30, 2014.¹

SUMMARY

In connection with matters 20150440081 and 20150440531, the Trade Reporting staff of the Department of Market Regulation reviewed the firm's compliance with equity trade reporting rules during the period from January 1 through April 30, 2014.

In connection with matter 20150464917, the Fixed Income staff of the Department of Market Regulation reviewed the firm's trade reporting to the Trade Reporting and Compliance Engine ("TRACE") during the period from April 1 through June 30, 2015.

In connection with matter 20150478032, the Fixed Income staff of the Department of Market Regulation reviewed the firm's trade reporting to TRACE during the period from July 1 through September 30, 2015

As a result of the foregoing, the staff found violations of FINRA Rules 2010, 6622, 6380A, 6730, 7230A, 7330 and NASD Rule 3010 as set forth below.

FACTS AND VIOLATIVE CONDUCT

In connection with reviews 20150440081 and 20150440531:

1. During the period January 1 through April 30, 2014, the firm failed, within 10 seconds after execution, to transmit to the FINRA/Nasdaq Trade Reporting Facility ("FNTRF") 119 last sale reports of transactions in designated securities. These transactions constitute 15.58 percent of the transactions in NMS securities reviewed that the firm reported to the FNTRF during the reviewed period. Additionally, the firm failed to designate through the FNTRF 38 last sale reports as late. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6380A and a pattern or

¹ The firm also agreed to an undertaking to submit periodic reports detailing past and ongoing corrective action.

practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

2. The firm failed, within 10 seconds after execution, to transmit to the OTC Trade Reporting Facility ("OTCRF") 571 last sale reports of transactions in designated securities. These transactions constitute 20.19 percent of the transactions in OTC Equity securities reviewed that the firm reported to the OTCRF during the reviewed period. Additionally, the firm failed to designate through the OTCRF 139 last sale reports as late. 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.
3. The firm failed to report the correct time of execution to the FNTRF in 38 last sale reports of transactions in designated securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7230A.
4. The firm failed to report the correct time of execution to the OTCRF in 139 last sale reports of transactions in designated securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7330.
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 equity trade reporting, as noted above. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; and (2) a statement of the supervisory step(s) to be taken by the identified person(s). The conduct described in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

In connection with review 20150464917:

6. During the period April 1 through June 30, 2015, the firm failed to report to TRACE 100 transactions in TRACE-eligible Securitized Products within 15 minutes of the time of execution. 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 matter 20150478032:

7. During the period July 1 through September 30, 2015, the firm failed to report to TRACE 99 transactions in TRACE-eligible Corporate Debt Securities within 15 minutes of the time of execution. 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. The firm also consents to the imposition of the following sanctions:

A censure and a fine of \$155,000 (consisting of a \$15,000 fine for the equity trade reporting violations; a \$10,000 fine for the supervision violation; and a \$130,000 fine for the TRACE reporting violations); and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.5. Within 30 business days of this AWC becoming final, 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 paragraphs I.A.5 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.

9/22/16
Date

By:

Name: Louis Scott

Title: *CEO*

Counsel for Respondent

10/17/16
Date

Robert A. Marchman
Robert A. Marchman
Executive Vice President
Legal Section
Department of Market Regulation