

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. 20150464571-01

**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" 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 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

Respondent became a member of FINRA on February 16, 1945, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

- In December 2014, FINRA accepted the firm's AWC (20130357202-01) in which it agreed to a censure and a fine in of \$50,000 for violations of Municipal Securities Rulemaking Board ("MSRB") Rules G-14, G-15 and G-27 from April through May 2013.

SUMMARY

In connection with Matter Nos. 20150464571; 20160500366; and 20170532194, the Municipal Bonds Team (the "staff") of the Department of Market Regulation ("Market Regulation") reviewed the firm's compliance with MSRB rules applicable to reporting to the Real-time Transaction Reporting System (the "RTRS") during the period of April 1, 2015 through June 30, 2015 ("2Q15"); October 1, 2015 through December 31, 2015 ("4Q15"); and January 1, 2016 through December 31, 2016 ("1Q16/2Q16/3Q16/4Q16").

In connection with Matter Nos. 20160508018, the staff of Market Regulation reviewed the firm's compliance with MSRB rules applicable to reporting to the RTRS during the period of November 1, 2015 through May 31, 2016.

In connection with Matter No. 20160498307, the staff of Market Regulation reviewed the firm's compliance with MSRB rules applicable to reporting to the RTRS during the period of January 1, 2016 through March 31, 2016 ("1Q16").

In connection with Matter No. 20160519058, the staff of Market Regulation reviewed the firm's compliance with MSRB rules applicable to reporting to the RTRS during the period of 3Q16.

As a result of these six reviews, the staff found the firm violated MSRB Rules G-14, G-8 and G-27.

FACTS AND VIOLATIVE CONDUCT

20150464571; 20160500366; and 20170532194

1. MSRB Rule G-14 sets forth transaction reporting requirements for municipal securities. MSRB Rule G-14(b)(ii) provides that "[a]ll brokers, dealers and municipal securities dealers have an ongoing obligation to report trade information promptly, accurately and completely."
2. MSRB Rule G-8 requires municipal dealers to make and keep current certain books and record, including the correct time of order execution.
3. During the period of 2Q15, the firm failed to report information regarding 60 purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and RTRS Users Manual. Specifically, the firm failed to report information about the 60 transactions within 15 minutes after the time of trade to an RTRS portal. These transactions constituted 2.28% of the total number of trade reports in municipal securities (2,623) that the firm reported to the RTRS during the period of 2Q15. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
4. During the period of 4Q15, the firm failed to report information regarding 96 purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and RTRS Users Manual. Specifically, the firm failed to report information about the 96 transactions within 15 minutes after the time of trade to an RTRS portal. These transactions constituted 3.39% of the total number of trade reports in municipal securities (2,836) that the firm reported to the RTRS during the period of 2Q15. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
5. During the period of 1Q16, the firm failed to report information regarding 100 purchase and sale transactions effected in municipal securities to the RTRS in the manner

prescribed by Rule G-14 RTRS Procedures and RTRS Users Manual. Specifically, the firm failed to report information about the 100 transactions within 15 minutes after the time of trade to an RTRS portal. These transactions constituted 3.83% of the total number of trade reports in municipal securities (2,610) that the firm reported to the RTRS during the period of 1Q16. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

6. During the period of 2Q16, the firm failed to report information regarding 95 purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and RTRS Users Manual. Specifically, the firm failed to report information about the 95 transactions within 15 minutes after the time of trade to an RTRS portal. These transactions constituted 4.26% of the total number of trade reports in municipal securities (2,230) that the firm reported to the RTRS during the period of 2Q16. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
7. During the period of 3Q16, the firm failed to report information regarding 61 purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and RTRS Users Manual. Specifically, the firm failed to report information about the 61 transactions within 15 minutes after the time of trade to an RTRS portal. These transactions constituted 3.61% of the total number of trade reports in municipal securities (1,689) that the firm reported to the RTRS during the period of 3Q16. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
8. During the period of 4Q16, the firm failed to report information regarding 65 purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and RTRS Users Manual. Specifically, the firm failed to report information about the 65 transactions within 15 minutes after the time of trade to an RTRS portal. These transactions constituted 2.25% of the total number of trade reports in municipal securities (2,548) that the firm reported to the RTRS during the period of 4Q16. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

20160508018

9. During the period of November 1, 2015 through May 31, 2016, the firm failed to report information regarding 172 purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and RTRS Users Manual. Specifically, the firm failed to report information about the 172 transactions within 15 minutes after the time of trade to an RTRS portal. These transactions constituted 2.93% of the total number of trade reports in municipal securities (5,863) that the firm reported to the RTRS during the period November 1, 2015 through May 31, 2016. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

20160498307

- 10. During the period of 1Q16, the firm failed to report information regarding 19 purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Manual. Specifically, the firm failed to report the correct Time of Trade to the RTRS in 19 transactions in municipal securities. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.**
- 11. During the period of 1Q16, the firm improperly reported to the RTRS 10 inter-dealer transfers of municipal securities that were not reportable to the RTRS. The conduct described in this paragraph constitutes separate and distinct violations of MSRB G-14.**
- 12. During the period of 1Q16, the firm failed to report information regarding one purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and RTRS Users Manual. Specifically, the firm failed to report information about the one transaction within 15 minutes after the time of trade to an RTRS portal. The conduct described in this paragraph constitutes a separate and distinct violation of MSRB Rule G-14.**

20160519058

- 13. During the period of 3Q16, the firm failed to report information regarding 29 purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Manual. Specifically, the firm failed to report the correct Time of Trade to the RTRS in 29 transactions in municipal securities, these transactions constituted 2.73% of the total number of matched inter-dealer reports (1,061) submitted by the firm to the RTRS during 3Q16. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.**
- 14. During the period of 3Q16, the firm failed to report information regarding 20 purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and RTRS Users Manual. Specifically, the firm failed to report information about the 20 transactions within 15 minutes after the time of trade to an RTRS portal. These transactions constituted 1.18% of the total number of trade reports in municipal securities (1,689) that the firm reported to the RTRS during the period of 3Q16. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.**
- 15. During the period of 3Q16, the firm failed to document the correct time of execution in trade memorandum of 28 transactions in municipal securities. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-8.**

Supervision

16. MSRB Rule G-27(a) requires each broker, dealer, and municipal securities dealer (“municipal dealers”) to supervise the conduct of their municipal securities activities and to ensure compliance with MSRB Rules and the Securities Exchange Act of 1934 (“Exchange Act”). MSRB Rule G-27(b) requires municipal dealers to establish and maintain a supervisory system that is reasonably designed to achieve compliance with applicable securities laws and regulations and MSRB Rules. MSRB Rule G-27(c) further requires each municipal dealer to adopt, maintain, and enforce written supervisory procedures that are reasonably designed to ensure that the conduct of municipal securities activities is in compliance with MSRB Rules and the Exchange Act.
17. During the period of April 1, 2015 through December 31, 2016, the firm’s supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the rules of MSRB and FINRA with regard to municipal trade reporting.
18. Additionally, the firm failed to provide adequate written supervisory procedures addressing the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm’s written supervisory procedures failed to sufficiently provide for one of the four above-cited minimum requirements for adequate written supervisory procedures in the following area: municipal securities reporting [(d)]. The conduct described in this paragraph constitutes violations of MSRB Rule G-27.

19. In addition, the firm failed to provide evidence of reviews for municipal late trade reporting. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-27.
- B. The firm consents to the imposition of the following sanctions:
1. A censure;
 2. A fine of \$130,000 for violations of MSRB Rules G-14, G-8 and G-27; and
 3. An undertaking requiring the firm to address MSRB municipal trade reporting to ensure that the firm has implemented procedures that are reasonably designed to achieve compliance with the rules cited herein.

- a. The Firm shall submit a written report to Felix M. Hester, ENFORCEMENT DEPARTMENT, One Liberty Plaza, 165 Broadway - 48th Floor New York, NY 10006-1404, on the date that is no more than 90 days after the acceptance of the AWC, concerning the firm's implementation and effectiveness of its policies, systems and procedures (written or otherwise), and training (collectively, "the Controls") relating to the specific area as described above to ensure that the firm addresses the supervisory inadequacies described in paragraphs I.A.17-19. The report shall address, at a minimum, the implementation and performance of the firm's Controls; the steps taken by supervisory personnel to ensure compliance in the abovementioned areas and the results of such supervisory reviews; training; the identity of the person(s) responsible for compliance with MSRB reporting rules; and modifications or recommendations for improvement to the Controls and dates of the effectiveness of such modifications or planned implementation of such recommendations. The written report shall be certified by a senior executive officer of the firm.
- b. No more than 180 days after the date of acceptance of the AWC, the firm shall meet with relevant FINRA Staff to provide an update on the effectiveness of the enhancements and changes as described above as well as any additional modifications made to the firm's written supervisory procedures and Controls relating to the deficiencies described above.
- c. The Department of Enforcement may, upon a showing of good cause and in its sole discretion, extend the time for compliance with these provisions.

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.

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

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.

12/8/17

Date

Respondent

Cantor Fitzgerald & Co.

By: [Signature]

Name: Shawn Matthews

Title: Chief Executive Officer

Reviewed by:

Attorney Name
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

Accepted by FINRA:

1/8/18
Date

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

[Signature]
Robert A. Marchman
Executive Vice President
FINRA Department of Enforcement