

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

NO. 20140431360-01

**TO: Department of Market Regulation
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

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

RELEVANT DISCIPLINARY HISTORY

On July 1, 2015, FINRA accepted an AWC in connection with FINRA Matter No. 20140409850, in which the firm consented to a censure and fine of \$55,000 in connection with Trade Reporting and Compliance Engine ("TRACE") related matters (Corporate Bond and SPs) during the period January 1, 2014 through March 31, 2014.

On November 25, 2014, FINRA accepted an AWC in connection with FINRA Matter No. 20120340966, in which the firm consented to a censure and a fine of \$50,000 in connection with TRACE and supervisory violations, and an undertaking was imposed for the firm to revise its supervisory procedures for the period April 1, 2013 through December 31, 2013.

On December 9, 2013, FINRA accepted an AWC in connection with FINRA Matter No. 20120316469, in which the firm consented to a censure and a fine of \$15,000 in connection with TRACE and supervisory violations, and an undertaking for the firm to

STAR No. 20140431360 (incl. merged STAR Nos. 20150443227; 20150454267; 20150468504; 20150474979; 20150441901; 20150464913; 20160487021; 20160488367; and 20160499933) (FMH)

revise its written supervisory procedures for conduct during the period July 1, 2012 through March 31, 2013.

On April 2, 2013, FINRA accepted AWC in connection with Matter No. 20120316772, in which the firm consented to a censure and a total fine of \$17,500, including \$15,000 for TRACE reporting violations for the period September 1, 2011 through June 30, 2012.

SUMMARY

In connection with Matter No. 20140431360, the TRACE Agency/Securitized Products ("SP") Team of the Department of Market Regulation ("Market Regulation") reviewed the firm's compliance with FINRA rules applicable to trade reporting to TRACE from July 1, 2014 through September 30, 2014.

In connection with Matter No. 20150441901, the TRACE Agency/SP Team of Market Regulation reviewed the firm's compliance with FINRA rules applicable to trade reporting to TRACE from October 1, 2014 through December 31, 2014.

In connection with Matter No. 20150454267, the TRACE Agency/SP Team of Market Regulation reviewed the firm's compliance with FINRA rules applicable to trade reporting to TRACE from January 1, 2015 through March 31, 2015.

In connection with Matter No. 20150443227, the TRACE Corporate Bonds Team of Market Regulation reviewed the firm's compliance with FINRA rules applicable to trade reporting to TRACE from October 1, 2014 through December 31, 2014.

In connection with Matter No. 20150474979, the TRACE Agency/SP Team of Market Regulation reviewed the firm's compliance with FINRA rules applicable to trade reporting to TRACE from July 1, 2015 through September 30, 2015.

In connection with Matter No. 20150468504, the TRACE Agency/SP Team of Market Regulation reviewed the firm's compliance with FINRA rules applicable to trade reporting to TRACE from April 1, 2015 through June 30, 2015.

In connection with Matter No. 20150464913, the TRACE Agency/SP Team of Market Regulation reviewed the firm's compliance with FINRA rules applicable to trade reporting to TRACE from April 1, 2015 through December 31, 2015.

In connection with Matter No. 20160487021, the TRACE Corporate Bonds Team of Market Regulation reviewed the firm's compliance with FINRA rules applicable to trade reporting to TRACE from October 1, 2015 through December 31, 2015.

In connection with Matter No. 20160488367, the TRACE Corporate Bonds Team of Market Regulation reviewed the firm's compliance with FINRA rules applicable to trade reporting to TRACE from October 1, 2015 through December 31, 2015 and April 1, 2016 through June 30, 2016.

In connection with Matter No. 20160499933, the TRACE Agency/SP Team of Market Regulation reviewed the firm's compliance with FINRA rules applicable to trade reporting to TRACE from January 1, 2016 through September 30, 2016.

As detailed below, the firm violated various FINRA rules concerning TRACE reporting and failed to maintain and implement adequate supervisory procedures during the period July 1, 2014 through September 30, 2016.

FACTS AND VIOLATIVE CONDUCT

20140431360

1. During the period of July 1, 2014 through September 30, 2014 ("3Q14"), the firm failed to report to TRACE 385 transactions in TRACE-eligible SPs within the 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.

20150441901

2. During the period of October 1, 2014 through December 31, 2014 ("4Q14"), the firm failed to report the correct time of trade execution for 98 transactions in TRACE-eligible SPs in violation of FINRA Rule 6730(c)(8).
3. The firm also failed to report to TRACE 41 transactions in TRACE-eligible SPs within the time permitted by FINRA Rule 6730. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a).
4. Finally, the firm failed to show the correct time of execution on the memorandum of 98 brokerage orders in violation of FINRA Rule 4511 and SEA Rule 17a-3.

20150454267

5. During the period of January 1, 2015 through March 31, 2015 ("1Q15"), the firm failed to report 63 transactions within the time required by TRACE in violation of FINRA Rule 6730(a). 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.

20150443227

6. During the period of October 1, 2014 through December 31, 2014 ("4Q14"), the firm failed to timely report 87 transactions in TRACE-eligible Corporate Debt Securities to TRACE in violation of FINRA Rule 6730(a). The conduct described in this paragraph is a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

20150474979

7. During the period of July 1, 2015 through September 30, 2015 ("3Q15"), the firm failed to report to TRACE the correct time of trade execution for 92 transactions in TRACE-eligible SPs. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).

8. During 3Q15, the firm failed to show the correct time of execution on the memorandum of 81 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 4511 and SEA Rule 17a-3.
9. During 3Q15, the firm failed to report to TRACE 25 transactions in TRACE-eligible SPs within the time permitted by FINRA Rule 6730. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a).

20150468504

10. During the period of April 1, 2015 through June 30, 2015 ("2Q15"), the firm failed to report to TRACE the correct time of trade execution for 28 transactions in TRACE-eligible Agency Debt Securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
11. During 2Q15, the firm failed to show the correct time of execution on the memorandum of 28 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 4511 and SEA Rule 17a-3.
12. During 2Q15, the firm failed to report to TRACE 28 transactions in TRACE-eligible Agency Debt Securities within the time permitted by FINRA Rule 6730(a). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a).

20150464913

13. During the period of April 1, 2015 through December 31, 2015 ("2/3/4Q15"), the firm failed to report 299 transactions in TRACE-eligible SPs within the time permitted by FINRA Rule 6730. 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.

Matter No. 20160487021

14. During the period of October 1, 2015 through December 31, 2015 ("4Q15"), the firm failed to report to TRACE the correct time of trade execution for 98 transactions in TRACE-eligible Corporate Debt Securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
15. During the period, the firm failed to report to TRACE 96 transactions in TRACE-eligible Corporate Debt Securities within the timeframe set forth in FINRA Rule 6730. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a).
16. Additionally, during the period, the firm failed to show the correct time of execution on the memorandum of 96 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 4511 and SEA Rule 17a-3.

Matter No. 20160488367

17. During the periods 4Q15 and April 1, 2016 through June 30, 2016 ("2Q16"), the firm failed to timely report 198 transactions in TRACE-eligible Corporate Debt Securities to TRACE. 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.

Matter No. 20160499933

18. During the period January 1, 2016 through September 30, 2016 ("1Q/2Q/3Q16"), the firm failed to timely report to TRACE 172 transactions in TRACE-eligible Agency Debt Securities. 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.

Supervision

19. From July 1, 2014 through September 30, 2016, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to securities laws and regulations, and the rules of FINRA concerning trade reporting to TRACE. The firm failed to provide documentary evidence that it was performing the supervisory reviews set forth in the firm's written supervisory procedures ("WSPs"). In addition, the firm's supervisory reviews concerning TRACE reporting failed to identify the documentation that was required to be reviewed. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 3010 (for the period up to December 1, 2014) and FINRA Rules 2010 and 3110 (for the period on and after December 1, 2014).¹

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

1. A censure;
2. A fine of \$380,000 (consisting of \$280,000 for TRACE reporting violations of FINRA Rules 6730(a), 6730(c)(8), and 2010 and recordkeeping violations FINRA Rule 4511 and SEA Rule 17a-3; and \$100,000 for FINRA Rules 3110 and 2010 supervisory violations); and
3. An undertaking requiring the firm to address TRACE reporting to ensure that the firm has implemented procedures that are reasonable designed to achieve compliance with the rules cited herein.

¹ As a result of the violations at issue in this matter, beginning in 2016, the firm took steps to improve its TRACE compliance program by beginning to revise its surveillances and supervisory systems as well as conducting some additional training of its employees.

- a. The firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a written report to FINRA, on the date that is no more than 90 days after the date of 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 areas described above to ensure that the firm addresses the supervisory inadequacies described in paragraph I.A.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; 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 Market Regulation 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 prejudice 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.

3/10/2017
Date

Respondent
Cantor Fitzgerald & Co.

By: [Signature]

Name: Shawn P. Matthews

Title: CEO

Reviewed by:

Joseph M. Micale

Attorney Name

Counsel for Respondent

Cantor Fitzgerald & Co.

Address : 110 EAST 59TH ST, 7TH Floor

City/State/Zip NEW YORK, NY 10022

Phone Number (212) 294-7886

Accepted by FINRA:

4/4/17
Date

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

[Signature]

Robert A. Marchman
Executive Vice President
FINRA Department of Market Regulation