

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014041817001**

TO: Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

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

Pursuant to FINRA Rule 9216 of FINRA’s Code of Procedure, Cantor Fitzgerald & Co. (“Cantor” or 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. Cantor 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

Cantor has been a FINRA-regulated broker-dealer since February 1945. Its business activities include market making and proprietary trading.

Cantor has twenty-nine branch offices, including its headquarters in New York, New York, and approximately 850 registered representatives.

RELEVANT DISCIPLINARY HISTORY

On August 14, 2011, the Firm executed AWC No. 20060061440-01 consenting to a censure, \$125,000 fine and an undertaking in connection with FINRA’s findings that the Firm violated Rules 200(g), 203(b)(3) and 203(b)(1) of Regulation SHO and NASD Rules 3010 and 2110, as well as SEC Rule 10b-10 and NASD Rule 3360, in 2006 and 2007. The Firm violated Rules 203(b)(3) and 203(b)(1) of Regulation SHO by failing to close out fail-to-deliver (“fail” or “FTD”) positions in threshold securities and engaging in proprietary short sales without performing a pre-borrow while it had an FTD, and violated NASD Rules 3010 and 2110 by failing to maintain written supervisory procedures (“WSPs”) that were reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable NASD rules. The undertaking required Cantor to revise its WSPs to identify the person(s) responsible for supervision of the Firm’s compliance with Rule 203 of Regulation SHO, and to describe the supervisory steps and frequency by which said person(s) would perform that review.

On August 21, 2012, the Firm executed AWC No. 2011026837401 (the “2012 AWC”) consenting to a censure, \$150,000 fine, an undertaking and certification in connection with FINRA’s findings that, during the period of January 1, 2010 to March 31, 2010, the Firm violated (i) Rule 204 of Regulation SHO when it failed to close-out FTD positions in the required time frames and executed proprietary short sales without performing a pre-borrow while it had a FTD; and (ii) NASD Rule 3010 and FINRA Rule 2010 by failing to implement a supervisory system reasonably designed to achieve compliance with Rule 204 of Regulation SHO. The undertaking required Cantor to revise its WSPs to identify the person(s) responsible for identifying and effecting close out actions and for supervision of the Firm’s compliance with Regulation SHO, and to describe the supervisory steps and frequency by which said person(s) would perform that review.

OVERVIEW

The Securities and Exchange Commission adopted Regulation SHO to address concerns regarding persistent failures to deliver and potentially abusive “naked” short selling, *e.g.*, the sale of securities that an investor does not own or has not borrowed. Regulation SHO imposes certain requirements on broker-dealers with respect to short sales of equity securities in order to promote market stability, preserve investor confidence, and increase short sale transparency, including Rule 204(a)’s close-out requirement and Rule 204(b)’s “penalty box” provision, which restricts short selling in securities when the close-out requirement is not satisfied unless the broker-dealer borrows or arranges to borrow the security.

From January 2013 through at least December 31, 2017 (the “Relevant Period”), Cantor failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures (“WSPs”), reasonably designed to achieve compliance with the requirements of Rule 204 of Regulation SHO (“SEC Rule 204”). Cantor used a predominantly manual system to identify its obligations under, and supervise its compliance with SEC Rule 204(a). Given the Firm’s increased trading activity -- from 35 billion shares in 2013 to 79 billion shares in 2014 -- and expansions to its business, the supervisory system was not reasonable. Cantor’s Compliance personnel identified red flags in 2013, 2014 and 2015 indicating that the Firm had systemic issues with Regulation SHO compliance and that its supervisory systems were not reasonably tailored to its business. However, Cantor did not adapt and enhance its supervisory systems, commit additional staffing to monitoring its compliance with SEC Rule 204, implement policies and procedures to accommodate the new lines of business, or provide training to its staff regarding Regulation SHO until 2016.

In addition, Cantor did not implement any supervisory tasks, reviews, systems or procedures with respect to SEC Rule 204(b)’s penalty box until October 2014, and had no supervisory systems or procedures during the Relevant Period with respect to SEC Rule 204(c)’s notice requirement. Cantor’s WSPs did not accurately reflect the requirements of SEC Rule 204 or the supervisory reviews conducted by Firm personnel. Moreover, even though the 2012 AWC required Cantor to, and Cantor certified that it in fact, implemented WSPs that tasked a specific person or persons with overall responsibility for supervision of the Firm’s compliance with SEC Rule 204, Cantor’s WSPs still failed to clearly delegate

supervisory responsibility for the Firm's compliance with SEC Rule 204 to a particular individual or individuals.

Cantor's failure to act timely to remediate these issues, and to establish and maintain reasonable supervisory systems and procedures, resulted in short selling activity that violated SEC Rule 204. Specifically, Cantor: (i) did not timely close-out FTDs on at least 4,879 occasions in violation of SEC Rule 204(a); (ii) routed and/or executed short sales in securities for which it had open FTDs during the period of January 2013 to October 2014 in violation of SEC Rule 204(b); and (iii) did not issue notice to those broker-dealers from which it received trades for clearance and settlement that a pre-borrow was required, as required by SEC Rule 204(c). Moreover, after Cantor had revised its SEC Rule 204 supervisory systems and WSPs in 2016, it failed to identify certain accounts that engaged in short and long sales were not monitored by its SEC Rule 204 systems, the FTDs resulting from the activity in these accounts, or that its WSPs permitted close-out actions to occur after the market open.

By virtue of the foregoing, during the Relevant Period, Cantor violated Rules 204(a), 204(b) and 204(c) of Regulation SHO, NASD Rule 3010(a) and (b) (for conduct occurring from January 1, 2013 through November 30, 2014), FINRA Rule 3110(a) and (b) (for conduct occurring on or after December 1, 2014) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Cantor Failed to Close Out FTDs as Required by SEC Rule 204(a)

SEC Rule 204(a) requires broker-dealers to take action to close out FTD positions resulting from short sales by either borrowing or purchasing securities of like kind and quantity by the beginning of regular trading hours on the settlement day following the settlement date. When the broker-dealer can demonstrate that the FTD resulted from *bona fide* market making activities, or a long sale, or that the FTD occurred in a security that the broker-dealer is "deemed to own," SEC Rule 204(a) permits the broker-dealer to close out the FTD by no later than the beginning of regular trading hours on the third consecutive settlement day or the thirty-fifth calendar day, respectively, following the settlement date.¹ SEC Rule 204 also requires a broker-dealer to be able to demonstrate on its books and records that it purchased or borrowed shares in the full quantity of any unaddressed FTD position, and that it had a net flat or net long position in that security (known as the "net purchaser" requirement), on the applicable close-out date.²

Cantor failed to timely and properly close out open FTDs on at least 4,879 occasions for numerous reasons. The Firm effected close-out actions after the market open and did not

¹ During the majority of Relevant Period, securities generally settled on a T+3 basis; accordingly, broker-dealers were required to close-out FTDs resulting from short sales by T+4, to close-out FTDs resulting from short sales attributed to *bona fide* market making and long sales by T+6, and to close-out FTDs resulting from "deemed to own" securities by T+35.

² A violation of SEC Rule 204 also constitutes a violation of FINRA Rule 2010, which requires member firms in the conduct of their business to "observe high standards of commercial honor and just and equitable principles of trade."

submit or memorialize creation or conversion instructions meant to address FTDs involving ETFs and ADRs in a timely manner. In certain circumstances, the Firm also deemed itself a net purchaser when it was not, either because the Firm's auto execution systems transacted in a security on the same day the Firm borrowed or purchased shares to close FTDs or because it credited intra-day activity when the Firm did not purchase or borrow shares to close the FTD. Additionally, Cantor treated certain transactions as "deemed to own" and subject to an extended close-out date without determining whether the transactions were, in fact, eligible for such treatment.

By virtue of the foregoing conduct, Cantor violated Rule 204(a) of Regulation SHO and FINRA Rule 2010.

2. Cantor Routed and Executed Short Sale Orders Prohibited by SEC Rule 204(b)

When a FTD is not closed out as required by SEC Rule 204(a), SEC Rule 204(b) prohibits the broker-dealer (and any broker-dealer from which it receives trades for clearance and settlement) from engaging in short sales in the security without first borrowing or arranging to borrow the security. The security remains in the "penalty box" and subject to the pre-borrow requirement until the broker-dealer purchases shares to close-out the position and the purchase clears and settles.

From January 2013 to October 2014, Cantor had no supervisory systems, reports, reviews or WSPs designed to enforce, or to monitor its compliance with, SEC Rule 204(b)'s penalty box provision. As a result, Cantor routed and/or executed thousands of short sales in securities for which it had an open FTD without first borrowing or arranging to borrow the security as required by SEC Rule 204(b).

By virtue of the foregoing conduct, Cantor violated Rule 204(b) of Regulation SHO and FINRA Rule 2010.

3. Cantor Failed to Provide Notice as Required by SEC Rule 204(c)

SEC Rule 204(c) requires a firm to notify any broker-dealer from which it receives trades for clearance and settlement when any security is in the penalty box, and again when the pre-borrow restriction is lifted on such security.

During the Relevant Period, Cantor provided clearing services for other broker-dealers. However, Cantor had no systems or procedures designed to achieve compliance with SEC Rule 204(c), and therefore did not provide notice to any broker-dealer for whom Cantor cleared and settled trades that their short sale orders were subject to the pre-borrow requirement because Cantor had an open FTD in that security. As a result, Cantor executed short sales for which it had an open FTD without the customer or broker-dealer having first been apprised that Cantor had an open fail in that security, or having effected a pre-borrow as required by SEC Rule 204(b).

By virtue of the foregoing conduct, Cantor violated Rule 204(c) of Regulation SHO and FINRA Rule 2010.

4. Cantor Failed to Reasonably Supervise Short Sales

NASD Rule 3010(a)³ and FINRA Rule 3110(a) require member firms to establish and maintain a system, including written procedures, reasonably designed to supervise the activities of their associated persons and to achieve compliance with applicable securities laws and regulations, including applicable NASD and FINRA Rules.

NASD Rule 3010(b) and FINRA Rule 3110(b) require member firms to establish, maintain and enforce written procedures to supervise the types of business in which they engage and the activities of their associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and NASD and FINRA Rules.

A violation of NASD Rule 3010 and FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010.

a. Cantor's Supervisory Systems Were Not Reasonably Designed to Achieve Compliance with SEC Rule 204(a)

From January 2013 to July 2014, Cantor utilized a manual process to monitor its close out obligations for compliance with SEC Rule 204(a) by tasking an individual to review information from the Continuous Net Settlement system ("CNS") and identify securities that were failing at CNS. The Firm's Capital Markets Supervision group ("CMS"), in consultation with traders, used this information to determine whether trades resulted in an actual FTD and, if so, to calculate the number of securities to be purchased or borrowed to close the fail. Stock loan personnel attempted to borrow the securities and, if they could not, the trader purchased shares to close-out the FTD.

Cantor's supervisory systems during this period were not reasonable. Although Cantor expanded certain of its market making desks in September 2013, and experienced a more than two-fold increase in its trading volume from 35 billion shares in 2013 to 79 billion shares in 2014, it continued to use a manual system that relied heavily on CMS. The four to five members of CMS conducted supervisory reviews of all of the Firm's trading, with two to three of its personnel reviewing for compliance with Regulation SHO. CMS's staffing levels were not reasonable, given the amount of supervisory oversight delegated to CMS, the number of trades CMS reviewed, and the highly manual nature of CMS's Rule 204(a)-related responsibilities. Because its members routinely worked twelve-hour days, the Head of CMS made several requests for additional personnel. However, Cantor did not increase the number of people assigned to CMS until 2016, leaving only four to five individuals to review the trading of approximately 700 registered representatives for most of the Relevant Period.

Cantor's manual system was unreasonable in other respects. If the individual responsible for compiling fail information from CNS was late, then the distribution of this information to CMS and the traders was also delayed. Even upon timely distribution of the report, stock loan personnel and the traders had a limited timeframe within which to attempt to borrow securities or effect a buy-in. Cantor also did not implement any supervisory tasks,

³ FINRA Rule 3110 replaced NASD Rule 3010 effective December 1, 2014.

reviews or reports to monitor whether CMS was accurately identifying and calculating the Firm's close out obligations, or whether a close out action was, in fact, taken and effective.

Although Cantor relied upon SEC Rule 204's extended close-out period for market making activity and "deemed to own" positions, it had no supervisory process to determine whether the short sales derived from *bona fide* market making or whether they were "deemed to own." The Firm also did not implement any supervisory review or report to confirm that Cantor was eligible to take pre- and post-fail credit, or that Cantor was a net purchaser in the security. Additionally, the Firm did not identify that its auto-execution algorithms caused the Firm to violate the net purchaser requirement, and thus rendered any close out actions taken ineffective, until January 2014.

In July 2014, Cantor replaced the manually-compiled list used to track the Firm's inventory fail positions with an auto-generated report; however, this change did not alleviate the deficiencies with the Firm's supervisory system. In particular, the transition to the auto-generated report did not alter the time-sensitive and manual steps by which the Firm identified and addressed its close-out obligations. CMS and the traders were still required to manually calculate the number of securities needed to close-out the positions, to calculate and apply any pre- and post-fail credit, and to identify and manually track "deemed to own" positions subject to an extended close-out period. Traders were also still required to purchase shares and confirm via e-mail that a close-out action was taken.

As discussed below, although Cantor recognized the limitations of its manual process, Cantor made no further changes to its supervisory systems until March 2016, when Cantor began using an automated system to calculate its obligations under, and monitor its compliance with, SEC Rule 204(a).

b. Cantor's Supervisory Systems Were Not Reasonably Designed to Achieve Compliance with SEC Rule 204(b) and SEC Rule 204(c)

From January 2013 through September 2014, Cantor's supervisory system was also unreasonable because it failed to include any supervision relating to the Firm's compliance with SEC Rule 204(b).

Cantor first implemented procedures to monitor its compliance with SEC Rule 204(b)'s penalty box provisions in October 2014, nearly two years after the Firm certified that it had implemented supervisory systems and WSPs reasonably designed to achieve compliance with Regulation SHO's requirements. Because the Firm's supervision over SEC Rule 204 was the subject of a prior AWC, undertaking and certification, this delay was unreasonable. Moreover, the manual process Cantor implemented in October 2014, and still uses today, required CMS personnel to identify securities subject to the pre-borrow requirement and notify the Firm's trading and information technology department to restrict trading in that security until the close-out action cleared and settled at CNS. This system was not reasonable because it did not always result in the timely identification of the applicability of the penalty box and, as a result, trading in the subject securities was not restricted until after the market open.

In addition, during the Relevant Period, and continuing through December 2018, even though it provided clearing services for other broker-dealers, Cantor failed to implement any supervisory system or WSPs reasonably designed to achieve compliance with the

notice requirement contained in SEC Rule 204(c). During the Relevant Period, Cantor revised its WSPs numerous times, created a Regulation SHO working group, and transitioned to automated systems for SEC Rule 204(a). Even so, Cantor never identified or remediated its lack of supervision over SEC Rule 204(c). Cantor's failure to identify its lack of, and to implement supervision over, compliance with the rule's notice provision was not reasonable, particularly when it was on notice through the red flags discussed below that its supervisory systems relating to SEC Rule 204 were deficient.

c. Cantor's WSPs Were Not Reasonably Designed to Achieve Compliance with SEC Rule 204

The Firm's WSPs were also unreasonable in multiple ways. First, the WSPs inaccurately described Cantor's obligations under SEC Rule 204(a). For example, although SEC Rule 204(a) requires close-out action to occur by market open, through at least December 2016, the Firm's WSPs improperly stated that the Firm had until thirty minutes after the market open to take close-out actions.

Second, the WSPs failed to provide any supervisory guidance relating to critical sections of Rule 204. For example, Cantor did not implement WSPs relating to SEC Rule 204(b) until December 2014 and, notwithstanding the increased scope of its ETF market making and American depositary receipt ("ADR") business, did not implement WSPs addressing how the Firm monitored short sales involving ETFs or ADRs or when a creation or conversion instruction is an effective close-out action until May 2017. As noted above, prior to December 2018, Cantor had not implemented any WSPs relating to SEC Rule 204(c).

Third, Cantor's WSPs failed to identify the individuals responsible for implementing supervisory procedures relating to compliance with SEC Rule 204. For example, although CMS performed certain supervisory functions relating to SEC Rule 204, Cantor did not memorialize the scope of its delegated responsibilities in writing until March 2014. Similarly, although Cantor implemented informal procedures to address the effect of its auto-execution algorithms on SEC Rule 204(a) close-outs, it did not memorialize the procedures or delegate supervisory responsibility to any individual in its WSPs. Cantor's WSPs also assigned responsibility for specific supervisory tasks to multiple business line individuals or teams even when those delegations did not accurately reflect who was performing the supervisory tasks. Cantor's failure to clearly identify the individual(s) with ultimate supervisory responsibility for SEC Rule 204 was not reasonable considering it had been formally disciplined for this issue and reminded of this requirement by subsequent FINRA examination findings.

d. Cantor Did Not Timely Remediate Its Lack of Compliance with SEC Rule 204

The Firm recognized that it had systemic issues with Regulation SHO compliance and that its supervisory system was deficient; however, Cantor failed to take action in a timely manner to address the deficiencies its personnel identified.

In the 2013 annual supervisory controls report, Cantor's Compliance department identified a specific market-making desk that was effecting late close outs and not demonstrating that their activity was the result of *bona fide* market making. Compliance recommended that

the Firm implement a *bona fide* positions check and verification of compliance with the net purchaser requirement, and task a specific individual with responsibility for ensuring that FTDs were closed out in a timely fashion. Cantor did not implement these recommendations or any other supervisory tasks, reviews or reports to monitor whether close outs were taken and effective in addressing open FTDs.

In 2013, Cantor also identified that it needed to automate its SEC Rule 204-related systems to address the scope of its business and level of short sale activity. Cantor began discussing an auto-borrow process in December 2013, and Firm personnel flagged limitations with its automated inventory tracking report shortly after it was implemented in July 2014. The Firm's 2014 and 2015 annual compliance reports also identified the Firm's continued failures to comply with SEC Rule 204 and the need to improve compliance and supervision in that area. However, the Firm did not implement its auto-borrow process or automated systems designed to identify and calculate its SEC Rule 204(a) obligations until early 2016.

From 2013 into 2015, Cantor personnel identified a certain trading desk as frequent violators of SEC Rule 204(a), but the Firm did not take any action to address the issue, even though its Compliance department recommended formal discipline. Despite its issues with compliance, and reliance on its traders to take appropriate close out actions and CMS to monitor the effectiveness of the traders' acts, the Firm also did not implement formal Regulation SHO training, increase staffing in CMS, and automate its systems until 2016. After implementing its automated systems in 2016, Cantor also did not identify the fact that its systems were not monitoring twenty-one accounts that engaged in short sales, or the long-running FTDs resulting therefrom.

By virtue of the foregoing conduct, Cantor violated NASD Rule 3010(a) and (b) (for conduct occurring from January 1, 2013 through November 30, 2014), and FINRA Rule 3110(a) and (b) (for conduct occurring on or after December 1, 2014 through present) and FINRA Rule 2010.

In determining the sanctions imposed, Enforcement considered the Firm's prior disciplinary history relating to Regulation SHO, the fact that the misconduct occurred over an approximately five-year period, the Firm's failure to address red flags in a timely manner, and the continuing supervision deficiencies, as well as the Firm's efforts to improve its supervisory systems.⁴

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

1. a censure;
2. a fine in the amount of \$2 million; and
3. the Firm shall:
 - a. Retain, within 60 days of the date of the Notice of Acceptance of this AWC, an Independent Consultant, not unacceptable to FINRA staff, to conduct a comprehensive review of the adequacy of the Firm's policies, systems and

⁴ Among other things, the Firm hired a new Chief Compliance Officer in April 2015, created a Regulation SHO working group in the Fall of 2015, and seated additional compliance personnel on the trading floor.

procedures (written and otherwise) and training relating to Rule 204 of Regulation SHO;

- b. The Independent Consultant, any firm with which the Independent Consultant is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performance of his/her duties, shall not have provided consulting, legal, auditing or other professional services to, or had any affiliation with, Cantor during the two years prior to the date of the Notice of Acceptance of this AWC;
- c. Exclusively bear all costs, including compensation and expenses, associated with the retention of the Independent Consultant;
- d. Cooperate with the Independent Consultant in all respects, including by providing staff support. Cantor shall place no restrictions on the Independent Consultant's communications with FINRA staff and, upon request, shall make available to FINRA staff any and all communications between the Independent Consultant and the Firm and documents reviewed by the Independent Consultant in connection with his or her engagement. Once retained, Cantor shall not terminate the relationship with the Independent Consultant without FINRA staff's written approval; Cantor shall not be in and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the Independent Consultant from transmitting any information, reports or documents to FINRA;
- e. At the conclusion of the review, which shall be no more than 120 days after the date of the Notice of Acceptance of this AWC, require the Independent Consultant to submit to the Firm and FINRA staff a Written Report. The Written Report shall address, at a minimum, (i) the adequacy of the Firm's policies, systems, procedures, and training relating to Rule 204 of Regulation SHO; (ii) a description of the review performed and the conclusions reached, and (iii) the Independent Consultant's recommendations for modifications and additions to the Firm's policies, systems, procedures and training; and
- f. Require the Independent Consultant to enter into a written agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any other employment, consultant, attorney-client, auditing or other professional relationship with Cantor, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the Independent Consultant is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performing his or her duties pursuant to this AWC, shall not, without prior written consent of FINRA staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Cantor or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

- g. Within 90 days after delivery of the Written Report, Cantor shall adopt and implement the recommendations of the Independent Consultant or, if it determines that a recommendation is unduly burdensome or impractical, propose an alternative procedure to the Independent Consultant designed to achieve the same objective. The Firm shall submit such proposed alternatives in writing simultaneously to the Independent Consultant and FINRA staff. Within 30 days of receipt of any proposed alternative procedure, the Independent Consultant shall: (i) reasonably evaluate the alternative procedure and determine whether it will achieve the same objective as the Independent Consultant's original recommendation; and (ii) provide the Firm with a written decision reflecting his or her determination. The Firm will abide by the Independent Consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the Independent Consultant.
- h. Within 30 days after the issuance of the later of the Independent Consultant's Written Report or written determination regarding alternative procedures (if any), Cantor shall provide FINRA staff with a written implementation report, certified by an officer of Cantor, attesting to, containing documentation of, and setting forth the details of the Firm's implementation of the Independent Consultant's recommendations.
- i. Upon written request showing good cause, FINRA staff may extend any of the procedural dates set forth above.

Cantor agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. Cantor has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Cantor specifically and voluntarily waives any right to claim that the Firm 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

Cantor 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, Cantor 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.

Cantor 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

Cantor 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 the Firm has agreed to its 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.

02/14/2019

Date (mm/dd/yyyy)

Mark Kaplan

Cantor Fitzgerald & Co., Respondent
By: Mark Kaplan, Chief Operating Officer

Reviewed by:

Fraser L. Hunter, Jr.

Fraser L. Hunter, Jr., Esq.
Counsel for Cantor Fitzgerald & Co.
Wilmer Hale
7 World Trade Center
250 Greenwich Street
New York, New York 10007

Accepted by FINRA:

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

3/5/19

Date

Rebecca Carvalho

Rebecca Carvalho, Principal Counsel
FINRA Department of Enforcement
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