

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2015044336601**

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

RE: BGC Financial, L.P. (Respondent)
Member Firm
CRD No. 19801

Pursuant to FINRA Rule 9216, Respondent BGC Financial, L.P. 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

BGC Financial, L.P. has been a member of FINRA since July 1987. BGC is headquartered in New York, New York and has 13 branches with approximately 270 registered representatives. BGC's business includes providing brokerage services such as trade execution and clearing in options, fixed income and equity securities.¹

OVERVIEW

From December 2014 through June 2023, BGC failed to establish and maintain a supervisory system reasonably designed to detect potential spoofing and layering in equity securities, in violation of FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's surveillance of potential spoofing activity.

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

FINRA Rule 3110(a) requires each member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

A violation of FINRA Rule 3110 is also a violation of FINRA Rule 2010, which requires a firm to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of its business.

BGC failed to have a supervisory system reasonably designed to detect for potential spoofing and layering.

Spoofing is a type of fraud that involves displaying a non-bona fide order (i.e., an order that the trader does not intend to have executed) in a security. Spoofing can be used to affect the price or volume of that security, and to induce other market participants to execute against an order on the opposite side of the market in the same security. Spoofing can deceive other market participants into trading at a time, price or quantity that they otherwise would not have.

Layering is a type of fraud that includes placement of multiple non-bona fide limit orders on one side of the market at various price levels at or away from the National Best Bid and Offer (“NBBO”) that are intended to create the appearance of a change in the levels of supply and demand for a security. Layering is designed to induce, or trick, other market participants to enter orders due to the appearance of interest created by the orders such that the trader is able to receive a more favorable execution on the opposite side of the market.

From December 2014 through June 2023, BGC’s supervisory system was not reasonably designed to detect potential spoofing and layering, which are prohibited by FINRA rules and the federal securities laws. Between December 2014 and January 2021, BGC did not have any supervisory system, including surveillances or supervisory reviews, to monitor for potential spoofing or layering by BGC traders. During this period, BGC’s equity trading desks collectively executed approximately 5,000 equity transactions per day.

In February 2021, BGC implemented automated surveillance to identify potential instances of spoofing and layering by its traders. On a daily basis, a BGC supervisor reviewed daily exceptions for potential issues and escalated all issues that may represent a rule violation to BGC’s Head of Surveillance. Evidence of these reviews is documented, including the rationale and supporting documentation for closure or escalation.

The surveillance, however, had certain unreasonable parameters. For example, certain of BGC’s surveillance parameters for spoofing and layering required the entry of a large order on both sides of the market, a significant number or high total share volume of layered orders on one side of the market, or a very high volume of cancelled orders. These parameters were unreasonable because layering and spoofing could also occur with smaller-sized or single orders, and BGC’s trading included such smaller-sized or single orders.²

By virtue of the foregoing, BGC violated FINRA Rules 3110 and 2010.

² In July 2023, BGC implemented surveillance to identify potential spoofing and layering involving such orders.

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

- a censure; and
- a \$200,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent 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 an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 it;
- 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 its acceptance or rejection.

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 Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 - 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 its subject matter 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

October 11, 2023

Date

Michael Sulfaro

BGC Financial, L.P.

Respondent

Print Name: Michael Sulfaro

Title: Chief Compliance Officer

Reviewed by:

Leonard Amoruso

Sharon O'Shaughnessy

Leonard Amoruso, Esq.

Sharon O'Shaughnessy, Esq.

Counsel for Respondent

Davis Wright Tremaine LLP

1251 Avenue of the Americas, 21st Floor

New York, New York 10020

Accepted by FINRA:

Signed on behalf of the

Director of ODA, by delegated authority

October 19, 2023

Date

Kevin M. McGee

Kevin M. McGee, Esq.

Senior Counsel

FINRA

Department of Enforcement

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