

## **REGULATORY DISCLOSURE STATEMENT**

The U.S. Securities and Exchange Commission (“SEC”), the Financial Industry Regulatory Authority, Inc. (“FINRA”), and other regulators have various rules and regulations that require broker-dealers to disclose certain policies and procedures including, but not limited to, client identification, business continuity, order routing and investor protection.

In accordance with these various regulatory requirements and industry best practices, and to give its clients transparency into the Firm’s policies and procedures, Cantor Fitzgerald & Co. (“CF&Co.” or the “Firm”) is providing the following regulatory disclosures to its clients.

### **New Account Opening – Verifying Your Identity**

The Firm is committed to complying with U.S. statutory and regulatory requirements designed to combat money laundering and terrorist financing. The USA PATRIOT Act requires that all financial institutions obtain certain identification documents or other information in order to comply with their customer identification procedures. Until the required information or documents are provided reviewed and verified, the Firm may not be able to open or maintain account(s) or effect any transactions for customers.

When opening an account, the Firm is required to obtain your name, address, tax information and other information and documentation that will be utilized to verify your identification. For accounts other than natural persons (e.g.: a corporation, partnership or trust) the Firm will request identifying documents evidencing the existence of the entity, such as articles of incorporation, a government-issued business license, a partnership agreement or a trust agreement. Further the Firm will request the names, addresses, dates of birth and other identification information of the beneficial owners of the legal entity. The Firm may also request to see a valid government issued form of identification evidencing nationality or residence and bearing a photograph such as a driver’s license, passport or other identifying documents for the Control persons and beneficiaries of the account. This information will be used to verify your identity and, in the case of a legal entity customer, the identity of the beneficial owners.

Material changes in account information should be forwarded in writing to the Firm’s Compliance Department at the address below.

### **Execution Quality & Order Routing**

#### **SEC Rule 605**

SEC Rule 605 of Regulation NMS requires market centers that trade National Market System (NMS) securities to make available to the public monthly electronic reports that include uniform statistical measures of execution quality. The SEC requires that the disclosure of a market center’s order execution information be made available free and readily accessible to the public via a web site. The Firm does not currently receive or handle any “Covered Orders” that require public disclosure under Rule 605. Information regarding CF&Co.’s historical SEC Rule 605 quality of executions information is

available at <http://disclosures.bxstech.com/cant/>

## **Disclosure of Order Routing Information**

SEC Rule 606(a) requires all brokerage firms to make publicly available quarterly reports, containing certain required statistical information regarding the routing of held, non-directed customer orders in Regulation NMS stocks and listed options. Cantor Fitzgerald & Co. (“CF&Co.”) is publishing such quarterly report in accordance with Rule 606(a) and will keep the report publicly available for a period of three (3) years for all reports filed for Q12020 and onward. The report contains a section for Regulation NMS stocks (separated by securities that are included in the S&P 500 Index as of the first day of the quarter and other Non-S&P 500 stocks) and a separate section for listed options. For each section, the report identifies the venues to which CF&Co. routed the relevant orders and, for each venue, the required statistical information broken down by order type (i.e., market order, marketable limit order, non-marketable limit order and other orders). Each section of the report also contains information regarding the material aspects of CF&Co.’s relationship, if any, with each venue.

For more information regarding the quarterly reports required by SEC Rule 606(a), and other aspects of SEC Rule 606, you may review the final rule here: <https://www.sec.gov/rules/final/2019/34-85714.pdf>. CF&Co.’s most recent quarterly SEC Rule 606 order routing information is available at:

### **SEC Rule 606(a) Report:**

<https://mta.ihsmarket.com/app-v2/public-report-library/public-report-library-view/Cantor%20Fitzgerald%20LP/272>

### **CF&Co’s SEC Rule 606(a) Report is available at:**

<http://disclosures.bxstech.com/cant/>

Please note that, consistent with the requirements of SEC Rule 606(a), the information presented in the report concerns only a small portion of CF&Co.’s customer order flow. The statistical information and disclosures required by SEC Rule 606(a) do not encompass all of the information necessary to assess execution quality.

In addition, the Firm shall, pursuant to Rule 606(b)(3) provide customers upon request, an individualized report concerning how CF&Co. handled that customer’s not held orders in NMS stocks for the prior six months. This report will be divided into separate sections for a customer’s directed orders and non-directed orders, in conformance with the “XML schema” published on the SEC website and is required to be produced within seven business days of the customer’s request. Clients may request a report generated pursuant to SEC Rule 606(b)(3) by contacting CF&Co.

Section (b)(1) of SEC Rule 606 requires CF&Co. to disclose to its customers, upon request, for held orders in NMS stocks and orders in NMS securities that are option contracts, the identity of the venue to which the customer’s orders were routed for execution in the six months prior to the request, whether the orders were directed orders or non-directed orders, and the time of the transactions, if any, that resulted from such orders.

## **Payment for order flow**

CF&Co. is required to provide disclosures to its clients regarding receipt of payment for order flow and for determining where to route client orders that are the subject of payment for order flow. “Payment for order flow” generally means

any monetary payment, service, property, or other benefit that results in remuneration, compensation, or consideration to a broker dealer from market centers.

For clarity, this term does not refer to commissions or fees paid by CF&Co.'s clients. In efforts to seek best execution, CF&Co. routes client and principal orders to national securities exchanges, dark pools and alternative trading systems ("ATs") which may include both CF&Co.'s affiliates and other broker-dealers (venues or market centers). Executing Broker-Dealers or Exchanges may offer credits or rebates which constitute payment for order flow. In addition, the Firm has established relationships with Retail Market-Making ("RMM") Firm's to receive PFOF in exchange for routing order flow to these providers on behalf of certain Electronic Trading customers.

### **Commission Sharing**

From time to time the Firm may enter into an arrangement with broker-dealers and/or affiliates; whereby the entities may share in commissions charged on transactions.

### **Material Aspects of Relationship with Route Venues**

Pursuant to SEC guidance, CF&Co. identifies itself as the execution venue on riskless principal executions in which it acts as a market center. CF&Co. makes a market in numerous securities, including, without limitation, those listed on NASDAQ, CBOE BZX, and NYSE ARCA. CF&Co. may internalize non-directed client orders in securities in which it makes a market. As a result of trading as principal with these internalized client orders, CF&Co. can share in up to 100% of the profits. In these instances, CF&Co. could incur profits or losses by trading as principal with these internalized client orders.

CF&Co. may also stand to benefit from routing to the following execution venues and other profit-sharing relationships in place with select market makers; for clarity, any remuneration or revenue-share is not guaranteed in these relationships described below:

GTS Securities, LLC - CF&Co. may route orders to GTS Securities, LLC. CF&Co. has the right to receive a share of certain revenues of GTS Securities, LLC and its affiliates ("GTS"). Accordingly, CF&Co. may share in some of the profits that GTS derives from the execution of CF&Co. customer orders executed by GTS.

Goldman Sachs & Co. LLC - CF&Co. has entered a trading relationship with Goldman Sachs & Co. LLC ("GSCO") where GSCO may elect to provide liquidity to support CF&Co.'s facilitation of block trades, and CF&Co. may share in profits generated from GSCO's risk management of positions (including hedging) entered into as a result of executing with CF&Co.

RMM Relationships – The Firm has established trading relationships with certain executing brokers that offer the Firm Payment for Order Flow in exchange for handling trading activity routed from the Firm on behalf of certain Electronic Trading clients.

Additional disclosures, as required under SEC Rule 606 are available on CF&Co's 606(a)(1) report, available here: <http://disclosures.bxstech.com/cant/>

### **Best Execution Determination**

CF&Co. may, depending on several factors, route a client's order to source additional liquidity in efforts to achieve best

execution on behalf of such client. The following is a non-exhaustive list of examples of such factors: (i) the character of the market for the security (e.g., price, volatility, and relative liquidity); (ii) the size and type of transaction; accessibility of the quotation; and (iii) the terms and conditions of the client order as communicated by the client. CF&Co. may route a client order to other broker-dealers (including market makers), ATSS or dark pools, and to national securities exchanges for execution.

In addition, from time-to-time, CF&Co. may utilize other third-party liquidity providers to source liquidity for large block size orders. In these instances, CF&Co. may contact the liquidity provider and request pricing from the third-party liquidity provider, without disclosing the underlying customer. If agreed to between CF&Co. and the third-party liquidity provider, CF&Co. will route an order as principal to such liquidity provider for execution, the liquidity provider will fill the order at the agreed to price, and CF&Co. will pass the execution/liquidity to the customer on a riskless principal basis. CF&Co. will share in a portion of the profits, if any, that the third-party liquidity provider derives from the unwind of CF&Co. orders executed by such liquidity provider. The source and amount of any such remuneration received by the Firm will be furnished upon written request.

## **The Execution Process**

In order to fulfill our Best Execution obligation and help reasonably determine the best market for a security, CF&Co. regularly and rigorously evaluates the overall quality of the executions received on customers' orders. CF&Co. will take into consideration a number of factors including but not limited to, execution speed, price improvement, overall execution quality etc. in making a best execution determination.

## **Regulation NMS Order Protection Rule**

SEC Rule 611 of Regulation NMS ("Reg NMS") (commonly known as the Order Protection Rule) establishes intermarket price protection against trade-throughs for all NMS stocks, as defined by Reg NMS, by requiring broker-dealers to attempt to access any better priced protected quotes on automated trading centers when executing at prices that would trade through those protected quotes. (An automated trading center is one that can, among other things, immediately and automatically respond to an immediate-or-cancel order and update its quotes. A protected quote is one that is displayed by an automated trading center, is disseminated pursuant to an effective national market system plan, and is the best bid or best offer on that automated trading center.)

SEC Rule 611 contains a number of exceptions, which are designed to make the rule's intermarket price protection as efficient as possible. One of those exceptions is referred to as the Intermarket Sweep Order ("ISO") exception. An ISO is a limit order for an NMS stock that is identified with an ISO designation when routed to an automated trading center and, simultaneously with the routing of that limit order, is accompanied by one or more additional limit orders (also marked as ISOs) that will execute against the protected quotations on those automated trading centers. The ISO designation alerts the receiving automated trading center that the order sender itself is executing against any better priced protected quotations at other automated trading centers.

A broker-dealer is obligated to send ISOs when the price of a transaction between the broker-dealer and a customer, or a transaction between two or more customers, is outside of the current national best bid and offer ("NBBO") for the NMS stock. If, after sending ISOs to other automated trading centers and receiving fills / partial fills back (or receiving no response after a reasonable period of time), there are still shares of the order left to be executed, the broker-dealer

can then execute the remainder at the original order price.

A trade for which the ISO exception is being used can be executed in two different ways:

1. At the same time ISO's are routed (the "Execute and ISO Sweep" mode); or
2. After ISO's are routed, responses are received, and the original size of the order is reduced to reflect any fills that result from the ISO routes (the "ISO Sweep and Execute" mode).

Under the Execute and ISO Sweep mode, the broker-dealer would complete the customer's order at the time the ISOs are routed and would take any subsequent ISO fills into its inventory.

Under the ISO Sweep and Execute mode, the customer would receive the benefit of any better prices obtained by the ISOs. The ISO Sweep and Execute mode, is the primary manner in which CF&Co. operates. As a result, when executing client orders, any better-priced fills will be allocated to the client order.

In certain circumstances, such as but not limited to, a capital commitment, agency cross etc. CF&Co. may use an "Execute and ISO Sweep approach.

If you have no objection to CF&Co's trading desks decision to use the Execute and ISO Sweep modes for ISO's, you need not respond to this disclosure. If you have any questions regarding this approach, please contact your CF&Co's sales representative.

## **Rule 15c3-5 and Market Access**

SEC Rule 15c3-5 (the "Market Access Rule") requires broker-dealers with or providing access to trading securities on exchanges or alternative trading systems ("ATSS") to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory and other risks in connection with market access. CF&Co. has developed reasonably designed controls to comply with the Market Access Rule that will reject or block orders that exceed previously defined risk parameters.

## **Extreme Market Conditions & Emergencies**

In extreme market events or emergencies (e.g., extreme market volatility, or a wide-spread systematic outage or stability issue), the Firm may elect to activate measures that would mitigate potential financial and regulatory risk. These measures include system kill switches or, in an extreme market event, changes to normal order handling procedures that may restrict client trading activity to the extent necessary to reasonably limit exposure to extraordinary financial and regulatory risk. Where feasible, the Firm will make reasonable attempts to notify the clients promptly of its decision to enact such measures to protect against financial and regulatory risk exposure in the event of extreme market events or emergencies.

## Regulation SHO

Reg SHO Rule 200 requires that all orders must be marked “long,” “short,” or short exempt.” All customers are responsible for properly marking their sell orders based on their net position, pursuant to SEC guidance.

For all orders marked “short,” unless an exemption applies, customers must obtain a locate and indicate the source of the locate. This locate serves as “reasonable grounds” for the Firm to believe that that the full quantity of the security can be borrowed by settlement date to make delivery.

Ownership is determined in accordance with Rules 200(a)-(f) of Reg SHO. Under Rules 200(b) and (c), a person will be deemed to own a security if (1) the person or his agent has title to it, (2) the person has purchased, or has entered into an unconditional contract, binding on both parties thereto, to purchase it, but has not yet received it, (3) the person owns a security convertible into or exchangeable for it and has tendered such security for conversion or exchange, (4) the person has an option to purchase or acquire it and has exercised such option, (5) the person has rights or warrants to subscribe to it and has exercised such rights or warrants, or (6) the person holds a security futures contract to purchase it and has received notice that the position will be physically settled and is irrevocably bound to receive the underlying security, in each case only to the extent that such person has a net long position in such securities.

Under Reg SHO Rule 204, the Firm may be required to effect a buy-in of any short or long sale transaction that results in a fail-to-deliver (FTD) on settlement date. Until the FTD is closed out by either through the purchase of subject security or through a borrow pursuant to Reg SHO Rule 204, the customer must be net flat or net long in that security at the end of the trading day. CF&Co. may be required to obtain the shares in the open market to cover/buy in the FTD. As a result, the client hereby accepts all reasonable and documented losses or other liability CF&Co. may incur in connection with any such buy-in and any deficit resulting therefrom. Additionally, the client agrees to promptly reimburse CF&Co. for any such losses or liabilities upon CF&Co’s written request.

## Extended Hours Trading Risk Disclosure Statement

CF&Co. may accept client orders outside of regular trading hours. Such client orders will be handled based on specific order instructions including, but not limited to, limit price and timeframe to which the order is eligible for execution (e.g., regular/extended trading hours). Unless specifically stated within the order instructions, all orders received prior to 9:30 AM EST will be handled and eligible for execution in the regular trading hours session of that business day.

However, should you want to trade during extended hours, in accordance with FINRA Rule 2265, the Firm is providing you with the following regarding the risks associated with trading in the pre-market session or the post-market session of extended hours trading. Clients should consider the following points before engaging in extended hours trading. For the purposes of this section, “regular trading hours” generally means the time between 9:30 AM EST and 4:00 PM EST; and “Extended hours trading” means trading outside of regular trading hours.

- **Risk of Lower Liquidity.** Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity for such security. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result,

investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular trading hours. As a result, your order may only be partially executed, or not at all.

- **Risk of Higher Volatility.** Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular trading hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price when engaging in extended hours trading than you would during regular trading hours.
- **Risk of Changing Prices.** The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular trading hours, or upon the opening the next morning. As a result, you may receive an inferior price when engaging in extended hours trading than you would during regular trading hours.
- **Risk of Unlinked Markets.** Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system than you would in another extended hours trading system.
- **Risk of News Announcements.** Normally, issuers make news announcements that may affect the price of their securities after regular trading hours. Similarly, important financial information is frequently announced outside of regular trading hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.
- **Risk of Wider Spreads.** The “spread” refers to the difference in price between what you can buy a security for, and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.
- **Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value (“IIV”).** For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in extended trading hours. Since the underlying index value and IIV are not calculated or widely disseminated during extended hours trading sessions, an investor who is unable to calculate implied values for certain derivative securities products in those sessions may be at a disadvantage to market professionals.

## Order Handling (“Held” or “Not Held” Orders)

CF&Co. primarily handles equity orders on a not held basis. A “not held” order means a client is giving CF&Co. discretion over the time and price at which the order is to be executed. When clients place a “not held” order with CF&Co. and leave the price and time of execution to the discretion of the trader, CF&Co. may trade in the security for its own account prior to the completion of the client order.

## **Guaranteed and Benchmark Orders**

CF&Co. may receive orders from clients where both parties agree to transact at a price based upon a particular benchmark. These benchmarks could be based upon the closing price on a national securities exchange, the Volume-Weighted Average Price (“VWAP”) or Time-Weighted Average Price (“TWAP”) of such securities over a specified period. CF&Co. will generally attempt to offset the risk of such agreements by entering other principal transactions. This means that CF&Co. may be at risk on all or part of the subject order. Nonetheless, any resulting profit or loss from the hedge or principal position/execution will accrue to CF&Co., unless otherwise agreed to with a client on a case-by-case basis.

Although CF&Co.’s hedging activities may influence the benchmark price, the Firm will employ reasonable means in an attempt to minimize market impact, where reasonably practicable under the circumstances, market conditions permitting. Other principal or client activity executed by CF&Co. in the same securities or related instruments may impact the benchmark and your execution price.

## **Net Trading**

CF&Co. may execute orders received from its institutional clients and broker-dealers on a net basis. In the event that you prefer CF&Co. does not execute your orders on a “net” basis, please contact your CF&Co. sales representative to express such preference. If you have no objection to CF&Co. executing your orders on a “net” basis, then no action is necessary on your part. Broker-dealers who route orders to CF&Co. may also have an obligation to provide a net trading disclosure to their end customers.

A “Net Trade” is a principal transaction in which CF&Co. may perform either of the following actions:

- After having received an order to buy an equity security, CF&Co. then purchases that equity security at one price and then sells it to you at a different price; or,
- After having received an order to sell an equity security, CF&Co. then sells that equity security at one price and then buys it from you at a different price.

In either case, CF&Co. does not charge the client a disclosed commission. Instead, CF&Co. will receive the price difference between the principal transaction to buy (or sell) the security and the subsequent sale (or purchase) of the same security to (or from) client as compensation for executing the transaction.

Net Trades are not eligible for an exemption under SEC Rule 611, or the Order Protection Rule. The net price that is reported to the appropriate Trade Reporting Facility (TRF) and disseminated to the public is the price of the trade.

## **FINRA Rule 5320 Disclosure**

FINRA Rule 5320 generally provides limitations applicable to broker-dealers who accept and hold an order in an equity security for its client or a client of another broker-dealer. In the event the broker-dealer does not immediately execute the subject client order, the broker-dealer’s own trading account would be subject to the following prohibitions: the broker dealer cannot trade the same security on the same side of the market as the subject client order, at a price that would



satisfy the subject client order. Rule 5320 deems the aforementioned activity permissible so long as the broker-dealer immediately thereafter executes the client order up to the size and at the same or better price at which the broker-dealer traded for its account.

CF&Co. avails itself of certain exceptions permissible under this rule, as described below:

**I. Large Orders and Institutional Accounts**

FINRA Rule 5320.01 permits broker-dealers to negotiate terms and conditions on the acceptance of (i) certain large-sized orders (i.e. orders of 10,000 shares or more and greater than \$100,000 in value) and (ii) orders from institutional accounts that would permit broker-dealers to trade ahead of, or along with, such orders, provided that the firms give a clear and comprehensive written disclosure to such client at the time of account opening and annually thereafter. The Firm hereby discloses that it may trade on a principal basis at a price that would satisfy the client order.

Institutional accounts and persons placing orders with CF&Co. for 10,000 shares or more not otherwise subject to the protections afforded by Rule 5320 may “opt in” to the Rule 5320 protections by providing written notice with respect to all orders to CF&Co.’s Compliance Department at 110 East 59th Street, 7th Floor New York, NY 10022, or [ITDcompliance@cantor.com](mailto:ITDcompliance@cantor.com). If a client does not opt into the Rule 5320 protections with respect to all or any portion of its order(s), the Firm may reasonably conclude that the client has consented to the firm trading a security on the same side of the market for its own account at a price that would satisfy the client’s order as described herein. However, please note that even when a client has opted in to the FINRA Rule 5320 protections, a broker-dealer may still obtain consent on an order-by-order basis to trade ahead of or along with an order from that client.

**II. No-Knowledge Exception**

FINRA Rule 5320.02 provides an exception for a broker-dealer’s principal trading in NMS stocks where (i) the principal trading unit does not have knowledge of such client order, and (ii) where the broker-dealer has implemented internal controls, such as appropriate information barriers that prevent one trading unit from obtaining knowledge of client orders held by a separate trading unit. In such case, a trading unit trading in a principal capacity may continue to trade at prices that would satisfy a client order held by the separate trading unit.

The Firm maintains Rule 5320 internal controls known as information barriers between its trading units. The information barriers are designed to prevent one trading unit from having knowledge of customer orders held by a different trading unit. With these barriers in place, one trading unit may hold a customer order while another trading unit, including the market making trading unit, executes an order for a Firm account that would satisfy the customer order. These information barriers are denoted in the Firm’s Consolidated Audit Trail reporting. The Firm also maintains policies and procedures in place to help ensure that the controls preventing one trading unit from having knowledge of customer orders held by a different trading unit, are operating and designed effectively.

**III. Riskless Principal**

FINRA Rule 5320.03 also provides an exception to a Firm trade where the trade was done to facilitate the execution on a riskless principal basis of an order from a customer.

#### IV. “Not Held” Orders

When a client places a “not held” order with CF&Co. and leaves the price and time of execution to the discretion of the trader, CF&Co. may trade in the security for its own account prior to the completion of the client order.

#### FINRA Rule 5270 Disclosure

FINRA Rule 5270 prohibits FINRA member broker-dealers from executing orders to buy or sell certain securities or related financial instruments when the member has material, non-public information (“MNPI”) concerning an imminent block transaction in those securities, related financial instruments, or securities underlying the related financial instruments, prior to the time information concerning the block transaction has been made publicly available or has otherwise become stale or obsolete.

FINRA Rule 5270 permits certain exceptions to the foregoing prohibition, including transactions that are undertaken to fulfill or facilitate the execution of a client block order. CF&Co. may rely on exceptions to FINRA Rule 5270 while executing block orders for its clients. In connection with the handling of a client’s block order, CF&Co. may engage in hedging, offsetting, liquidating, facilitating, or positioning transactions (“risk-mitigating transactions”) that may occur at the same time or in advance of this order. Such activities may have an impact on market prices. Beyond these risk-mitigating transactions, CF&Co. will generally refrain from conduct that could disadvantage or harm the execution of client’s orders or that would place CF&Co.’s financial interests ahead of clients. Unless client informs CF&Co. otherwise in writing (“opt out”), the Firm will conclude that client understands that CF&Co. may engage in risk-mitigating transactions in connection with client orders and the Firm will conclude that client has given its consent to CF&Co. to handle block transactions as described above.

Client may choose to opt out by providing written notice to CF&Co.’s Compliance Department at 110 East 59th Street, 7th Floor New York, NY 10022, or [ITDcompliance@cantor.com](mailto:ITDcompliance@cantor.com). Please direct any questions regarding FINRA Rule 5270 to a CF&Co. equity sales representative.

#### Indications of Interest

Clients may receive indications of interest (“IOIs”) from CF&Co. CF&Co. communicates IOIs in a variety of ways, including third-party vendor systems. These IOIs may be designated as either “natural” or “non-natural.”

The term “natural” refers to conditions including but not limited to,

Client Interest – CF&Co. has a client order in hand, received electronically or verbally, including block and worked order flow.

The term “non-natural” refers to conditions including but not limited to,

General Interest – CF&Co. may use a “non-natural” IOI to convey market-making interest, using small (S), medium (M), or large (L) size categories without disclosing a price. General interest is a way of communicating pre-market intentions to make a one- or two-way market in a security.

The Firm's handling and communication of IOI's, complies with the Bloomberg IOI guidelines as well as relevant rules and regulations.

### **Transactions in Restricted Stocks & Microcap/Low-Priced Securities**

A client must inform CF&Co. prior to sending any order in a security which is deemed to be "restricted" under Rule 144 of the Securities Exchange Act of 1933, as amended, and the client agrees that any such order shall be effected only in accordance with the policies and requirements prescribed from time to time by CF&Co. (including, but not limited to, execution of appropriate documentation and receipt of opinion of counsel).

CF&Co. reserves the right to reject all or any orders on a client-by-client and/or symbol-by-symbol basis at any time and for any reason related to its risk controls, whether financial, regulatory or other, as determined by CF&Co. in its sole discretion. The aforementioned right applies to, but is not limited to, transactions in low-priced securities such as "penny stocks", exchange listed microcaps (e.g. securities < \$300 million market capitalization) and over the counter securities which have classifications such as caveat emptor, Pink No Info, Pink Limited Info etc. In addition, for client orders in which upon settlement the shares will not settle in an electronic manner (such as shares held in physical certificates), CF&Co. reserves the right to cancel such trades.

CF&Co. does not accept settlement of physical certificates.

### **ETF Disclosures AP**

CF&Co may have interests different than yours relating to Exchange Traded Funds ("ETFs") that you may purchase from or sell to us. The following sets forth a non-exhaustive list of such interests that may arise:

1. CF&Co. may, pursuant to an agreement with the ETF trust, transfer agent, and distributor, act as an authorized participant ("AP") in the purchase or sale of fund shares directly from an ETF and may, from time to time, act in such capacity. As an AP or otherwise, CF&Co. may have information about pending creations and/or redemptions of ETF shares. Similarly, CF&Co. may act as a market maker, or block positioner in the ETF shares, or in securities or other instruments that comprise the ETF, or are part of the index whose performance the ETF seeks to track. CF&Co. may buy or sell ETF shares, the underlying securities of a fund, derivatives, or other instruments, for other customers or for its own account while you are selling or buying ETF shares. CF&Co. may receive customary brokerage commissions, mark-ups/mark-downs, or other charges and fees from these transactions and, when acting as principal, may also benefit from any spread. Therefore, by acting in such capacities, CF&Co. may have positions in financial instruments mentioned herein, may have acquired such positions at prices no longer available and may have interests different than your interests.
2. Unless otherwise agreed between an ETF trust and CF&Co., pursuant to the terms on an AP agreement and the prospectus of a fund, ETF shares may only be redeemed in such aggregate units and not individually. Therefore, you understand and agree that any ETF shares you hold are not individually redeemable and may only be redeemed in such aggregate units (Creation Units) through an AP and in accordance with

such fund's prospectus.

3. CF&Co. may publish research reports, desk commentary, sales commentary, reports and data with respect to ETF in-flows and out-flows, or otherwise express long-term or short-term views about an ETF, an index, the performance of which an ETF seeks to track, and/or the underlying securities and other instruments that comprise the index and/or ETF. The information contained in such content is subject to change and does not purport to contain all of the information that may be required to evaluate the ETF shares. CF&Co. and its affiliates undertake no obligation to provide recipients of such content with any additional information or any update to, or correction of, the information contained therein. Thus, you are strongly encouraged to read any offering documents, including the prospectus, registration statements and other regulatory filings related to such ETF shares.
4. In the short run, CF&Co.'s activities may impact the performance of the ETF, the underlying index securities, derivative instruments and/or the price at which you will be able to transact in your ETF shares in the secondary market. CF&Co.'s trading activities will, at times, be contrary to the trading activities of the ETF or ETF shareholders and CF&Co.'s interests will, at times, be inconsistent with those of the ETF and ETF shareholders. It is also possible that the Firm's activities could result in trading gains for CF&Co. while the value of the ETF shares declines.

## **"Benchmark" Orders**

CF&Co. often receives orders from clients in ETFs where both parties agree to transact at a price based upon a particular benchmark on a "best efforts" basis. These benchmarks could be based upon the closing price on a national securities exchange, VWAP or TWAP of such securities over a specified period, or target the Net Asset Value ("NAV") of the ETF; although, for the avoidance of doubt, you understand that an exact NAV price is not achievable and it cannot be guaranteed. CF&Co. will generally attempt to offset the risk of such agreements by transacting in the benchmark securities, their underlying components, or in derivative instruments, although the Firm may not try to hedge fully its exposure. This means that CF&Co. may be at risk on all or part of the subject order. Nonetheless, any resulting profit or loss from the hedge or principal position/execution will accrue to CF&Co. Although CF&Co.'s hedging activities may influence the benchmark price, the Firm will employ reasonable means to minimize market impact, market conditions permitting. Other principal or client activity executed by CF&Co. in the same securities or related instruments may impact the benchmark and your execution price. CF&Co., or any person who controls such persons within the meaning of Section 15 of the Securities Act of 1933, as amended, shall not be liable for any damages arising from any differences in performance between the underlying securities of an ETF and the ETF's benchmark index.

## **ETF Disclosures APR**

CF&Co. seeks to ensure it is able to appropriately and effectively identify and manage potential conflicts. It may manage potential conflicts through avoidance, establishing information barriers or acting with an appropriate level of independence and/or by providing appropriate disclosure of the conflict to affected clients.

The Firm may act as an ETF Authorized Participant Representatives (APR). As an APR, CF&Co. may act as an unaffiliated broker-dealer for an ETF Authorized Participant (AP). In such a scenario the AP has signed an agreement with CF&Co. to

establish a confidential account for the benefit of the AP that will deliver or receive, on behalf of the AP all consideration to or from the fund in a creation or redemption. Acting in the APR capacity, CF&Co. may possess knowledge of the composition of the fund's portfolio holdings, and is restricted from disclosing such composition, including to the Authorized Participants.

## Settlement of Securities Transactions

The Securities and Exchange Commission requires broker-dealers to settle most securities transactions within two business days ("T+2") of their execution date. These include transactions for stocks, bonds, options (exercise and assignment), rights, warrants, municipal securities, Exchange Traded Funds (ETFs), Exchange Traded Products (ETPs), American Depositary Receipts (ADRs), certain mutual funds and limited partnerships that trade on an exchange. The T+2 requirements do not apply to certain other categories of securities, such as exempted securities. The shortened settlement aligns the U.S. settlement cycle with the settlement cycles in other (non-U.S.) markets.

When a customer buys a security, CF&Co. must receive payment from the customer no later than two (2) business days after the trade is executed. When a customer sells a security, the customer must deliver the security to CF&Co. no later than two (2) business days after the sale.

## Options Trading

Options involve risk and are not suitable for all investors. There is no guarantee that the option strategies promoted will accomplish the stated objectives. Options trading is considered speculative and may result in the loss of a portion of or all of your initial investment and/or funds in excess of the principal invested. Prior to buying or selling an option, you should read "Characteristics and Risks of Standardized Options", which is known as the options disclosure document (ODD). Electronic copies of the ODD and any supplements are available on the Options Clearing Corporation website, which is located at the following link: <http://www.optionsclearing.com/about/publications/character-risks.jsp>

There are special risks associated with uncovered option writing which expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all customers approved for options transactions.

- The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price.
- As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.
- Uncovered option writing is thus suitable only for a knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially substantial losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, your CF&Co. representative may request significant

additional margin payments. If you do not make such margin payments, CF&Co. may liquidate stock or option positions in your account, with little or no prior notice in accordance with your margin agreement.

- For combination writing, where an investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.
- If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or assignment.
- The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.
- You are expected to have read and clearly understand the ODD. In particular, your attention is directed to the chapter entitled Risks of Buying and Writing Options. This chapter does not address all of the risks entailed in writing uncovered options.

When engaging in options trading, please be aware of the following options exchange rules:

- Option exchange rules require all option orders to be marked with the appropriate account origin code, such as Customer, Broker-Dealer, Professional Customer, or Firm. Therefore, you must ensure your option orders are marked with the correct account origin code when routing option orders to the Firm.
- A Professional customer is any person or entity that is not a broker or dealer in securities and who places more than 390 options orders per day on average during a calendar month. “Professional” customer orders are not treated with the same marketplace advantages given to public customer orders. CF&Co. will designate your options orders as “Professional” orders if the Firm determines you meet the requirements of a “Professional” customer. Once you meet the standard for a Professional customer, all of your options orders will be marked as Professional for the quarter following the month in which the threshold was exceeded. Furthermore, if by your own determination, you are to be deemed a Professional customer, you must notify your CF&Co. in writing so that the Firm can properly document your designation and appropriately mark your options orders as “Professional.”
- Option exchange rules require all option orders to be marked as either opening (buy/sell to open) or closing (buy/sell to close) transactions. Therefore, you must ensure your option orders are marked appropriately when routing option orders to the Firm.

## Solicited Order Mechanism Notification

When handling an order of 500 contracts or more on client’s behalf, CF&Co. may solicit other parties to execute against this order and may thereafter execute it using the International Securities Exchange’s (the “ISE”) Solicited Order Mechanism (“Mechanism”). This functionality provides a single-price execution only, so that the entire order may receive a better price after being exposed to the ISE’s participants, but it will not receive partial price improvement.

For further details on the operation of the Mechanism, please refer to ISE Rules which is available at <https://listingcenter.nasdaq.com/rulebook/ise/rules>

## **Municipal Advisor Rule**

As a result of the SEC's Municipal Advisor Rule (effective July 1, 2014), if a firm acts as a municipal advisor to a municipal entity or obligated person with respect to certain investment advice described below, it must be registered as a municipal advisor. A municipal advisor owes a fiduciary duty to the municipal entity to which investment advice is given and must not take any action inconsistent with its fiduciary duty to the municipal entity. Accordingly, firms and their affiliates may be prohibited from effecting certain principal transactions for a municipal entity and obligated person if they serve as their municipal advisor.

It is CF&Co.'s intention not to act as a municipal advisor, but to conduct arm's-length commercial transactions with you. CF&Co. is acting in a principal capacity and not as an advisor and as such, does not owe a fiduciary duty pursuant to Section 15B (SEC Rule 15Ba-1 et seq.), as amended in the Securities Exchange Act of 1934 to you as a municipal entity or obligated person with respect to any securities brokerage transactions executed by or through CF&Co on your behalf.

At the onset of the relationship (i.e., account opening), the Firm conducts a review of all accounts this process includes determining whether the account seeks to invest any funds that constitute (i) proceeds of municipal securities or (ii) municipal escrow investments. This ensures the Firm understands the types of funds the entity is investing and when dealing with these accounts the Firm is not deemed as providing advice.

## **Municipal Securities Disclosure**

To obtain an official statement in portable document format (PDF), please visit: <https://emma.msrb.org/>. Should you require further assistance in locating the document or require a physical copy, please contact your firm representative. We wish to inform you that if the quantity of securities being sold is below the minimum denomination for the issue, this may adversely affect the liquidity of the position unless you have other securities from the issue that can be combined to reach the minimum denomination. Disclosure of the contra side, source, and amount of any remuneration received or to be received from any person other than the customer will be available to customer upon written request when the broker(s), acts either as agent for the customer or as agent for both the customer and another person.

## **Government Sponsored Enterprises**

Any purchase of Government Sponsored Enterprise ("GSE") Securities during a Distribution Period is made pursuant to the Issuer or Guarantor's Offering Documentation. To obtain an electronic version of the Offering Documentation prepared by an Issuer/Guarantor, please visit the appropriate publicly accessible internet website listed below. Any documents incorporated by reference in an Issuer or Guarantor's Offering Documentation are also available on the appropriate publicly accessible internet website.

- Federal Home Loans Bank: <http://fhlb-of.com>
- The Federal National Mortgage Association (Fannie Mae): <https://capitalmarkets.fanniemae.com/debt-securities/debt-disclosure-documents>
- Debt securities: <http://www.freddiemac.com/debt/>
- Mortgage-Backed Securities: <http://www.fanniemae.com/portal/funding-the-market/mbs/index.html>

- Federal Farm Credit: <http://www.farmcredit-ffcb.com>
- Mortgage securities: <http://www.freddiemac.com/mbs/>
- The Government National Mortgage Association (Ginnie Mae): [https://www.ginniemae.gov/investors/investor\\_search\\_tools/Pages/default.aspx](https://www.ginniemae.gov/investors/investor_search_tools/Pages/default.aspx)

As a purchaser of GSE Securities during a Distribution Period, you have the right to request a printed copy of the Offering Documentation. Should you require assistance in locating the electronic version or wish to obtain a printed copy, please contact your registered representative.

For purchases during the Distribution Period of single class securities that are TBA eligible, additional pool information is available by telephoning the appropriate number for the Issuer/Guarantor, currently 1-800-237-8627 for Fannie Mae and 1-800-336-3672 for Freddie Mac and 1-800-234-4662 for Ginnie Mae or by emailing Fannie Mae at [bestmbs@fanniemae.com](mailto:bestmbs@fanniemae.com) or Freddie Mac at [Investor\\_Inquiry@FreddieMac.com](mailto:Investor_Inquiry@FreddieMac.com).

## Liquidity Sourcing

For certain asset classes, including but not limited to U.S. Treasuries, sovereigns and corporate bonds, CF&Co. has developed tools designed to access both internal and external sources of liquidity, including from affiliates. In some cases CF&Co. will select a single entity as a source of liquidity, including from an affiliate. In other cases CF&Co. will select multiple sources of liquidity, including from affiliates. In either case, we are not obligated to disclose the source(s), and CF&Co. will act as the principal counterparty to the client's order. When sourcing from an affiliate, CF&Co. will receive remuneration from the affiliate. The nature of the markets in these asset classes is that prices are available from a number of different dealers, and clients should not rely on CF&Co. in determining the best available price.

## U.S Treasury Securities Fails Charge Trading Practice

CF&Co. has adopted the U.S. Treasury Securities Fails Charge Trading Practice published by the Treasury Market Practices Group ("TMPG") and the Securities Industry Financial Markets Association ("SIFMA"). Accordingly, all delivery versus payment or delivery versus transfer transactions that we have with you is subject to the US Treasury Securities Fails Charge Trading Practice published by TMPG and SIFMA at: <https://www.sifma.org/resources/general/fails-charge-trading-practices/>

Repurchase or Reverse Repurchase Transactions subject to U.S. Treasury Securities' fails charge trading practice published by TMPG and SIFMA at: [https://www.sifma.org/wp-content/uploads/2017/06/TMPG\\_UST-fails-charge-trading-practice\\_04-23-18.pdf](https://www.sifma.org/wp-content/uploads/2017/06/TMPG_UST-fails-charge-trading-practice_04-23-18.pdf)

## Treasury Market Practice Group ("TMPG") Guidelines for Handling Information

CF&Co. has been designated by the Federal Reserve Bank of New York as a primary dealer in U.S. Treasury securities. CF&Co. adheres to the guidelines related to the TMPG handling practices. The guidelines include the establishment of information handling policies related to the appropriate use and handling of confidential information, disclosure,



an internal control program and review and training. [https://www.newyorkfed.org/medialibrary/Microsites/tmpg/files/TMPG\\_BestPractices\\_012218.pdf](https://www.newyorkfed.org/medialibrary/Microsites/tmpg/files/TMPG_BestPractices_012218.pdf). For additional information please contact your representative.

## CF&Co. is Registered with SEC and MSRB

CF&Co. is registered as a broker dealer with both the SEC and the MSRB. Information about the duties of a dealer, as well as the procedures for filing a complaint, may be found on the MSRB's website by typing the following website into your internet browser: <https://www.msrb.org/Report-a-Municipal-Market-Complaint>. The general website for the MSRB is [www.msrb.org](http://www.msrb.org).

## NFA Background Affiliation Status Information Center (BASIC)

When opening an account and on an annual basis, the Firm is required to provide customers written notice of the NFA's BASIC system. As such, please see the following link: <https://www.nfa.futures.org/basicnet/>

## FINRA BrokerCheck

FINRA BrokerCheck is a free tool that assists investors by providing background and regulatory information on current and former FINRA member firms and registered representatives. This information can be obtained at <https://brokercheck.finra.org/> or by calling the FINRA BrokerCheck Hotline toll-free number at 1-800-289-9999. A copy of an investor brochure that includes information describing FINRA BrokerCheck can be obtained by calling the FINRA BrokerCheck Hotline number or accessing the FINRA website.

## Information on the Securities Investor Protection Corporation ("SIPC")

SIPC was created by the Securities Investor Protection Act of 1970 ("SIPA") and its primary purpose is to provide protection within the limits of the SIPA to securities clients of failed brokers or dealers who are members of the SIPC. CF&Co. is a member of the SIPC. Information on SIPC and the SIPC Brochure is available at either [www.sipc.org](http://www.sipc.org), or by contacting SIPC at (202) 371-8300, or by sending an email request to [asksipc@sipc.org](mailto:asksipc@sipc.org).

## Voice Recording Disclosure

In accordance with applicable laws and regulations, CF&Co. may record certain telephone conversations with outside parties. By communicating with CF&Co., you consent to the voice recording of conversations with personnel of CF&Co. and its affiliates.

## Privacy Policy Notice

CF&Co.'s privacy policy is available at <https://www.cantor.com/customer-privacy-notice/>

## **Business Continuity Plan**

CF&Co.'s Business Continuity information is available at: <https://www.cantor.com/legal-statement/>

## **Statement of Financial Condition – SEC Rule 17a-5(c)**

In accordance with Securities Exchange Act Rule 17a-5(c), Cantor Fitzgerald & Co. makes its Statement of Financial Condition available free of charge at the following link: <https://www.cantor.com/disclosures/>

The most recent audited statement filed is available for inspection at the principal office of CF&Co. and at the New York Regional Office of the SEC.

## **Complaints**

In accordance with SEC Rule 17a-3(a)(18)(ii) and CFTC Rule 23.201(b)(3)(ii), and FINRA Rule 4530 please be advised that any complaints may be directed to the following:

**Cantor Fitzgerald & Co.**  
**110 East 59th Street, 7th Floor**  
**New York, NY 10022**  
**Attention: Chief Compliance Officer**

## **Questions**

Should you have any questions or require any additional information regarding this statement, please contact your client sales representative.