

## **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, customer identification, business continuity, order routing and investor protection.

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

### **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.

### **Portfolio Margin and Regulation T Requirements**

The terms on which firms can extend credit for securities transactions are governed by federal regulation and by the rules of FINRA and the securities exchanges. Some securities cannot be purchased on margin, which means they must be purchased in a cash account, and the customer must deposit 100 percent of the purchase price.

#### **Regulation T**

Regulation T (Reg T) is a federal regulation issued by the Federal Reserve Board of Governors that regulates broker-dealers and the extension of credit in the securities market. According to Reg T, a certain percentage of margin must be deposited into your account when making any new trade commitments on credit. This is also referred to as the initial requirement. The initial requirement varies based on different types of securities. Currently, the Reg T requirement for

equity securities is 50 percent of the total cost.

After the initial requirements have been met, certain minimum maintenance equity requirements apply to margin accounts. Under FINRA and exchange rules, the customer's equity in the account must not fall below 25 percent of the current market value of the securities in the account (though in certain circumstances the Firm may require a higher percentage). Please note that margin requirements are based on the market value of a security. Therefore, a decline in the price may result in a higher maintenance requirement for the position and may subsequently create a maintenance call in the account. Securities that fall below certain dollar thresholds are subject to higher maintenance margin requirements. If the value of positions purchased on margin decreases and the equity of your account falls below certain minimum maintenance thresholds, you will be required to meet a margin call by either selling securities in your account or depositing cash or additional marginable securities.

### **Portfolio Margin**

Portfolio margining is a margin methodology that sets margin requirements for an account based on the greatest projected net loss of all positions in a "security class" or "product group".

Not all customers and positions are eligible for a Portfolio Margin Account, and there are special rules and risks associated with a Portfolio Margin Account. For a full understanding of the eligibility requirements and risks associated portfolio margin please see FINRA Reg Notice 07-14 and FINRA Rule 4210 <https://www.finra.org/rules-guidance/rulebooks/finra-rules/4210> Where a customer has been approved for a Portfolio Margin ("PM") account, the customer's margin rate will depend on the make-up of its portfolio and may be subject to change as the methodology to calculate the margin rate will depend on risk factors such as volatility of each stock and concentration.

To conduct necessary due diligence, CFS may reach out for additional documentation from a customer seeking approval for a PM account. If you are interested in learning more about a portfolio margin account please contact your CF Secured representative.

### **Day Trading**

Day trading restrictions under FINRA Rule 4210 do not apply to portfolio margin accounts that establish and maintain at least \$5 million in equity. The Firm will monitor portfolio margin accounts to detect and prevent circumvention of the day trading requirements. In the event day trades executed in a portfolio margin account exceed the day-trading buying power, the day trade margin deficiency that is created must be met by the deposit of cash and/or securities within three business days.

### **Settlement of Securities Transactions**

As required by SEC Rule 15c6-2, transactions in equity and fixed income securities must be affirmed by end-of-day on Trade Date and Settlement must be made one day after Trade Date ("T+1"). 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.

When a customer buys a security, CF&Co. must receive payment from the customer no later than one 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 one business days after the sale.

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

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

CF Secured reserves the right to reject all or any orders or positions on a customer-by-customer 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 Secured 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 Secured reserves the right to cancel such trades.

CF Secured does not accept settlement of physical certificates. For more information about transactions and account transfers etc. in low-price securities, please see the Firm’s Low-Priced Security and Physical Securities Policies.

### **Commission Sharing/Referral Fees**

The Firm from time to time may enter into an arrangement with broker-dealers and/or affiliates; whereby the entities may share in transaction based compensation charged on transactions or pay fees to registered representatives who refer potential customers for prime brokerage services.

### **Options**

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 Secured representative may request significant additional margin payments. If you do not make such margin payments, CF Secured 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.

## **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 customers of failed brokers or dealers who are members of the SIPC. CF Secured 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).

### **Customer Privacy Notice and Privacy Statement**

CF Secured's Customer Privacy Notice is available at: <http://www.cantor.com/customer-privacy-notice/> and Privacy Statement is available at: <https://www.cantor.com/privacy-statement/>.

### **Business Continuity Plan**

CF Secured'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), CF Secured LLC 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 Secured and at the New York Regional Office of the SEC.

### **Customer Complaints**

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

**CF Secured, LLC.  
110 East 59th Street, 21st 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 or the Compliance Department at (212) 938-5000.