

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

Securities Exchange Act of 1934
Release No. 71533 / February 12, 2014

In the Matter of the Application of the	:	
	:	
Financial Industry Regulatory Authority, Inc.	:	
	:	
For an Order Granting the Approval of	:	ORDER APPROVING
	:	APPLICATION FOR
Daniel Covello	:	RELIEF FROM A
	:	STATUTORY
As a	:	DISQUALIFICATION
	:	
Corporate Securities Limited Representative	:	
	:	
With	:	
	:	
BGC Financial L.P.	:	
	:	
Securities Exchange Act of 1934	:	
Section 15A(g)(2)	:	
	:	

The Financial Industry Regulatory Authority, Inc. has filed a notice containing an application (“Application”) with the Securities and Exchange Commission (“Commission”), pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act”), on behalf of BGC Financial L.P. (“BGC” or “Firm”), seeking consent for Daniel Covello (“Covello”), a person subject to a statutory disqualification, to associate with BGC as a corporate securities limited representative, subject to the terms and conditions set forth in the Application. Covello is not currently associated with a broker-dealer.

I. Background

A. Basis for Statutory Disqualification

On April 5, 1984, the Commission issued an order, pursuant to Section 15(b) of the Exchange Act that bars Covello from association with any broker, dealer, municipal securities dealer, investment adviser, or investment company, with the right to reapply after twelve months (“Bar Order”)¹. The Bar Order subjects Covello to a statutory disqualification under Section 3(a)(39)(B) of the Exchange Act.

Additionally, Covello is subject to a secondary statutory disqualification as a result of a final judgment, to which he consented, entered by the United States District Court for the Southern District of New York on April 5, 1984 (“Final Judgment”). The injunction, among other things, permanently enjoins Covello from further violations of Sections 10(b) and 14(e) of the Exchange Act and Rules 10b-5 and 14e-3 thereunder². The Final Judgment also ordered Covello to pay disgorgement of \$70,351.94. The Final Judgment subjects Covello to a statutory disqualification under Section 3(a)(39)(F) of the Exchange Act.

The Bar Order and Final Judgment are based on the same misconduct: Covello, in 1981, traded on inside information that he received from his brother, who had received the inside information from a friend. Covello asserted that at the time of the trades he was unaware that he had received inside information, but admitted he made a mistake by making the trades.

B. Covello’s Industry Background

Covello first registered as a general securities representative in March 1969, as a general securities principal in June 1972, and as a corporate securities limited representative in September 2012. Prior to this Application and subsequent to the Bar Order and Final Judgment, Covello was associated with 15 broker-dealers.

C. The Firm

BGC has been a FINRA member since July 1987. The Firm employs 403 registered representatives and 92 registered principals. The Firm’s home office is located in New York, New York, and has 12 branch offices. BGC acts as an inter-dealer broker of bonds.

II. Proposed Business Activities and Supervision

In the Application, FINRA and BGC represent that Covello will be employed as a corporate securities limited representative working in corporate debt and he will act as an intermediary between dealers and facilitate inter-dealer trades. The Firm will compensate Covello by a salary and bonus.

¹ See Exchange Act Release No. 20826 (Apr. 5, 1984).

² See Securities and Exchange Commission v. Dominic Musella et al., No. 83 Civ. 382 (CSH) (S.D.N.Y. Apr. 5, 1984).

FINRA and BGC represent that Robert Miller (“Miller”) will be Covello’s direct supervisor. Miller is the Firm’s Head of Corporate Debt and Credit Derivatives for Eurobrokers (a division of the Firm) and has been associated with BGC since November 2009. He has been registered as a general securities representative since October 1985, and has been registered as a general securities principal since April 1993.

FINRA and BGC also represent that Paul Molter (“Molter”) will be Covello’s backup supervisor when Miller is unavailable. Molter has been registered as a general securities principal since April 1993.

In the Application, FINRA and BGC represent, among other things, that:

1. The written supervisory procedures (“WSPs”) of BGC will be amended to state that Miller will be the primary supervisor responsible for Covello and Molter will be the alternate supervisor responsible for Covello.
2. Covello will work out of the same office as Miller and Molter, and in close proximity to them at the same trading desk.
3. Covello will have no supervisory duties.
4. Covello will be required to complete a pre-clearance form prior to conducting any personal securities transactions (including any securities transactions by his immediate family members) and obtain Miller’s written approval prior to engaging in any such transaction. All of Covello’s personal securities transactions will be subject to a 10 calendar-day holding period. Miller will seek to prevent Covello from using or trading on any material, nonpublic information. Miller’s review will include, but not be limited to, Covello’s transactions in any bonds, securities, or derivatives of securities of any issuer of a bond, traded by Covello in connection with his employment with BGC. Documents pertaining to these pre-clearance forms, and Miller’s review and approval of Covello’s personal securities transactions will be kept segregated for ease of review during any statutory disqualification examination.
5. Any personal accounts held by Covello or any of his immediate family members will be subject to a monthly compliance review. Copies of confirmations and statements generated by those brokerage accounts (or electronic feeds if the accounts in question are held at a brokerage firm with that arrangement in place with BGC) will be sent directly to BGC.
6. Miller will review, on a daily basis, the trading activity of the desk where Covello will be working. The record of the daily trading activity for Covello’s desk will be in the form of an electronic blotter consisting of all trades done for the day by the broker on the desk. Each trade on the blotter will denote buy or sell, amount, price, security, CUSIP, trade date, settlement date, commission, counterparty and the broker handling the trade.

7. For the purposes of email communication with clients, Covello will only be allowed to use an email account that is held at BGC, with all emails being filtered through BGC's email system. If Covello receives a business-related email message in another email account outside BGC, he will immediately deliver that message to BGC's email account. Covello will also inform BGC of all outside email accounts that he maintains and will provide BGC access to the accounts upon request. BGC will maintain any business-related email messages sent to Covello from these accounts and keep them segregated for ease of review during any statutory disqualification audit.
8. Molter will review all of Covello's incoming written correspondence (which includes e-mail communications), at a minimum, on a weekly basis. With the exception of instant messaging (which includes instant messages sent via Bloomberg), Miller will review and approve all of Covello's outgoing correspondence (which includes email communications) before they are sent. Molter will review all instant messages sent and received by Covello, at a minimum, on a weekly basis.
9. Covello will not open any new accounts.
10. If Miller is to be on vacation or out of the office for an extended period, Molter will act as Covello's interim supervisor.
11. All complaints pertaining to Covello, whether oral or written, will be immediately referred to Miller for review. Miller will prepare a memorandum to the file with full details as to the review, investigation and resolution of the matter. Documents pertaining to these complaints will be kept segregated for ease of review during any statutory disqualification examination.
12. BGC must obtain prior approval from FINRA's Department of Member Regulation if it wishes to change Covello's primary supervisor from Miller to another person. Pending approval of a new primary supervisor, Covello will be supervised by Molter.
13. Miller will certify quarterly to the Firm's Compliance Department that he has performed a quarterly review of Covello's overall business activities, including his corporate bond brokering activity and his commission runs. Miller will maintain and keep segregated these certifications for ease of review during any statutory disqualification examination.
14. Miller will perform a quarterly compliance review of Covello for compliance with regulatory procedures and BGC policies. The review will include a supervisory meeting with Covello to discuss, among other things, the supervisory process, BGC policies, regulatory developments and compliance initiatives. Documents pertaining to these reviews will be kept segregated for ease of review during any statutory disqualification examination.
15. On a quarterly basis, Covello will certify in writing to Miller that he has read BGC's current Code of Conduct and other applicable firm policies, and that he fully understands his obligations thereunder. Miller will maintain copies of Covello's certifications and

will keep them segregated for ease of review during any statutory disqualification examination.

16. Miller will certify quarterly to the Firm's Compliance Department that he and Covello are in compliance with all of the above conditions of heightened supervision to be imposed upon Covello. Miller will maintain and keep segregated these certifications for ease of review during any statutory disqualification examination.
17. At least annually, BGC, via its Compliance Department, will review its WSPs on statutory disqualification and its processes to ensure that its WSPs are current and are implemented appropriately.

III. Relief Sought

In the Application, FINRA seeks an order declaring that, notwithstanding Covello's statutory disqualification, the Commission:

1. Will not institute proceedings pursuant to Sections 15(b) and 19(h) of the Exchange Act, solely on the basis of Covello's association as a corporate securities limited representative with BGC pursuant to the representations contained in the Application; and
2. Will not direct FINRA to bar the proposed association, as provided in Section 15A(g)(2) of the Exchange Act.

IV. Conclusion

The Division of Trading and Markets ("Division"), pursuant to delegated authority, has reviewed the Application and the record before FINRA. Relying on the representations made by FINRA and BGC concerning the proposed association of Covello³, the Division has concluded that it is appropriate for the Commission to approve the Application for Covello to associate as a corporate securities limited representative subject to the conditions of this order.

³ All representations, terms, and conditions of employment, contained in FINRA's Rule 19h-1 notice filing (which includes BGC's MC-400 Application to FINRA), not specifically listed in this order, are incorporated herein by reference.

Accordingly, IT IS ORDERED that said Application of FINRA on behalf of BGC and Covello be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority⁴.

Kevin M. O'Neill
Deputy Secretary

⁴ 17 CFR 200.30-3(a)(4).