

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080147185-01

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Citigroup Global Markets Inc., Respondent
Broker-Dealer
CRD No. 7059

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Citigroup Global Markets Inc. (the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

The firm has been a member of FINRA since October 16, 1936, and its registration remains in effect. During the time periods at issue, the firm reported trades under two different Market Participant Identifiers (MPIDs), SBSH and SALB.

RELEVANT DISCIPLINARY HISTORY

The firm has the following prior relevant disciplinary history:

- On October 25, 2010, FINRA accepted an AWC in which the firm was censured, ordered to pay restitution, and fined \$400,000 for violations of various rules, including \$250,000 for Trade Reporting and Compliance Engine ("TRACE") reporting violations.

20080147185 (includes 20080163839 20090193313,
20090206542, 20100217071, 20110263835, 20110270238
20100234777, 20080147325, 20090170355) JSM

- On February 18, 2009, FINRA accepted an AWC in which the firm was censured and fined \$2 million for violations of various rules, including \$625,000 for Municipal Securities Rulemaking Board ("MSRB") and TRACE reporting violations. The AWC also included an undertaking for the firm to revise its written supervisory procedures with respect to fixed income transaction reporting.

SUMMARY

This matter arose out of the following reviews:

In Matter Numbers 20080163839, 20090193313, 20090206542, 20100217071, 20110263835, and 20110270238 the Fixed Income staff of the Department of Market Regulation (the "staff") reviewed the firm's compliance with TRACE reporting requirements during various periods identified below between July 1, 2007 and December 31, 2010.

In Matter Number 20100234777, the staff reviewed the firm's compliance with MSRB reporting requirements during the period June 1, 2009 through June 30, 2010.

In Matter Numbers 20080147185 and 20080147325, the staff reviewed the firm's compliance with best execution requirements for corporate bond and municipal bond transactions during the period April 1, 2008 and June 30, 2008.

In Matter Number 20090170355, the staff reviewed the firm's compliance with fair pricing requirements for corporate bond transactions during the period July 1, 2008 through September 30, 2008.

FACTS AND VIOLATIVE CONDUCT

Matter No. 20080163839

1. During the period of July 1, 2007 through September 30, 2007, the firm failed to report to TRACE the correct contra party's identifier for 151 transactions in TRACE-eligible securities. These transactions constituted four percent of the inter-dealer transactions in TRACE-eligible securities that the firm reported to TRACE for one of the firm's two MPIDs during the period reviewed. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(c)(6).

Matter No. 20090193313

2. During the period of April 1, 2009 through June 30, 2009, the firm failed to report to TRACE 193 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted three percent of the total matched inter-dealer transactions in TRACE-eligible securities that the firm reported to TRACE under one of its two MPIDs during the period reviewed. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
3. During the period reviewed, the firm failed to report to TRACE the correct time of trade execution for 193 transactions in TRACE-eligible securities. These inaccurate reports constituted three percent of the total matched inter-dealer reports that the firm submitted to TRACE under one of its two MPIDs during the period reviewed. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
4. During the period reviewed, the firm failed to show the correct time of execution on the memorandum of 193 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.

Matter No. 20090206542

5. During the period of July 1, 2009 through September 30, 2009, the firm failed to report to TRACE 7,975 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted four percent of the total transactions in TRACE-eligible securities that the firm reported to TRACE during the period reviewed. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
6. During the period reviewed, the firm reported to TRACE 1,473 transactions in TRACE-eligible securities that it was not required to report. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a).

Matter No. 20100217071

7. During the period of October 1, 2009 through December 31, 2009, the firm failed to report to TRACE 114 block transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted 18 percent of the total block transactions in TRACE-eligible securities that the firm reported under one of its two MPIDs during the period reviewed. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

8. During the period reviewed, the firm failed to report to TRACE the correct time of trade executions for 22 block transaction in TRACE-eligible securities. These inaccurate reports constituted three percent of the total block transactions in TRACE-eligible securities that the firm reported under one of its two MPIDs during the period reviewed. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
9. During the period reviewed, the firm failed to show the correct time of execution on the memorandum of 40 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.

Matter No. 20110263835

10. During the period July 2002 through November 2010, the firm failed to report the correct settlement date modifiers to TRACE for certain corporate fixed income securities. An analysis of a seven month time period (March 2010 through September 2010) revealed that the firm failed to report the correct settlement date modifier to TRACE for 7,732 corporate debt transactions. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(d).
11. During the period July 2002 through November 2010, the firm did not report to TRACE certain transactions between the firm and an affiliate. An analysis of a one year time period (November 2009 to November 2010) revealed that the firm failed to report to TRACE 9,531 transaction reports in TRACE-eligible securities that it was required to report. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(b).

Matter No. 20110270238

12. During the 4Q10 review period, the firm failed to report to TRACE 103 S1 block transactions in TRACE-eligible Corporate Debt securities within 15 minutes of the time of execution. These late transactions constituted 14 percent of the total S1 block transactions in TRACE-eligible Corporate Debt securities that the firm reported under one of its two MPIDs during the 4Q10 review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
13. During the 4Q10 review period, the firm failed to report to TRACE the correct time of trade executions for 29 block transactions in TRACE-eligible Corporate Debt securities. These inaccurate reports constituted four percent of the total block transactions in TRACE-eligible Corporate Debt securities that the firm reported under one of its two MPIDs during the 4Q10 review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).

14. During the 4Q10 review period, the firm failed to show the correct time of execution on the memorandum of 53 brokerage orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 17a-3 and NASD Rule 3110.

Matter No. 20100234777

15. During the period of June 1, 2009 through June 30, 2010, the firm failed to report to the Real-time Transaction Reporting System ("RTRS") information regarding 30,000 purchase and sale transactions effected in municipal securities between the firm and one contra party broker-dealer. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
16. During the period of June 1, 2009 through June 30, 2010, the firm failed to report the correct Market Participant Identifier to the RTRS in 5,000 reports of transactions in municipal securities. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14(b)(ii).

Matter No. 20080147185

17. During the period of April 1, 2008 through June 30, 2008, in 26 transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, as reflected on Exhibit A, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2320.

Matter No. 20080147325

18. During the period of April 1, 2008 through June 30, 2008, in five transactions, the firm purchased municipal securities for its own account from a customer and/or sold *municipal securities for its own account to a customer at an aggregate price* (including any mark-down or mark-up) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the broker, dealer, or municipal securities dealer is entitled to a profit, and the total dollar amount of the transaction. The transactions are identified on Exhibit B, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rules G-17 and G-30(a).

19. During the period of July 1, 2008 through September 30, 2008, in eight transactions, the firm sold (bought) corporate bonds to (from) customers and failed to sell (buy) such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. The transactions are identified on Exhibit C, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110, 2440 and IM-2440.

OTHER FACTORS

The sanctions herein take into consideration remedial efforts the firm has taken to enhance its supervisory procedures and systems for fixed income reporting, including, among other things: enhanced staff training for TRACE compliance; use of an outside vendor to verify TRACE information; and, hiring an independent consultant to review the firm's TRACE reporting. In addition, the firm voluntarily self-reported to FINRA the violations described in paragraphs 10, 11, 15 and 16.

B. The firm also consents to the imposition of the following sanctions:

1. A censure and a fine of \$900,000, which is comprised of: \$680,000 for the TRACE trade reporting violations and the associated record keeping violations; \$100,000 for the MSRB Rule G-14 reporting violations; \$50,000 for the MSRB Rule G-17 and G-30 municipal bond best execution violations; \$50,000 for the corporate bond best execution violations; and, \$20,000 for the corporate bond fair pricing violations, and restitution by Respondent to the customers involved in the transactions identified on Exhibits A, B, and C, which are attached, in the total amount of \$32,355.82, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the National Adjudicatory Council. A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850 or in an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, no later than 120 days after acceptance of this AWC. If for any reason, Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer is known to have last resided.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The firm 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

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it 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 herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

7-17-12
Date

Respondent
Citigroup Global Markets Inc.

By: Elaine H. Mandelbaum

Name: Elaine H. Mandelbaum

Title: Managing Director or Deputy General Counsel

Reviewed by:

Timothy B. Nagy
Counsel for Respondent
BINGHAM MCCUTCHEN, LLP

Accepted by FINRA:

8/17/12
Date

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

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation

Item No.	Date	CUSIP ID	Issue	Quantity	Contra*	Trade Time	Trade Price	Firm	Restitution
1	5/20/2008	035229CT8	Anheuser-Busch	25	C(S)	11:44:12	89.875	SBSH	
2	5/29/2008	035229CT8	Anheuser-Busch	10	C(S)	15:23:19	87.625	SBSH	\$547.50
3	5/29/2008	035229CT8	Anheuser-Busch	10	C(S)	10:44:04	87.625	SBSH	\$547.50
4	4/22/2008	12557WHJ3	CIT Group Inc	10	C(B)	15:01:12	85.679	SBSH	
5	4/18/2008	12557WHM6	CIT Group Inc	10	C(B)	16:49:36	85.15	SBSH	
6	4/21/2008	12557WHM6	CIT Group Inc	15	C(B)	15:16:53	85.156	SBSH	\$1,139.13
7	4/17/2008	12557WBC4	CIT Group Inc	15	C(B)	9:53:05	79.143	SBSH	
8	4/17/2008	12557WBC4	CIT Group Inc	15	C(B)	10:27:32	78.866	SBSH	\$1,056.45
9	4/17/2008	12557WBC4	CIT Group Inc	10	C(B)	15:11:28	78.968	SBSH	\$714.50
10	4/16/2008	12557WBF7	CIT Group Inc	10	C(B)	15:23:03	78.898	SBSH	
11	4/16/2008	12557WBF7	CIT Group Inc	15	C(B)	15:34:56	78.615	SBSH	\$912.75
12	4/16/2008	12557WBF7	CIT Group Inc	25	C(B)	15:41:06	78.865	SBSH	\$1,583.75
13	4/16/2008	12557WBQ3	CIT Group Inc	15	C(B)	12:32:02	78.913	SBSH	
14	4/16/2008	12557WBT7	CIT Group Inc	55	C(B)	11:13:38	78.091	SBSH	
15	4/17/2008	12557WCC3	CIT Group Inc	10	C(B)	15:27:20	77.543	SBSH	
16	4/10/2008	12560PCL3	CIT Group Inc	25	C(S)	11:43:05	86.375	SBSH	
17	4/18/2008	12560PCL3	CIT Group Inc	15	C(S)	13:48:45	85	SBSH	\$333.00
18	4/24/2008	12560PCL3	CIT Group Inc	10	C(S)	11:09:01	85	SBSH	\$557.20
19	6/11/2008	93933VAS7	Wash Mut Bank NV	20	C(B)	11:25:20	87.72	SBSH	\$656.00
20	6/30/2008	02635PRT2	American General Finance	15	C(B)	14:01:28	92.19	SBSH	\$317.70
21	4/10/2008	14149YAH1	Cardinal Health	2	C(S)	15:21:00	96.34	SBSH	\$346.80
22	5/20/2008	22237LPM8	Countrywide Home Loan	20	C(S)	15:28:12	84	SBSH	\$497.00
23	5/8/2008	22238HGQ7	Countrywide Financial Corp	10	C(B)	12:35:57	88.74	SBSH	\$674.00
24	4/22/2008	125577AP1	CIT Group Inc	20	C(S)	15:24:03	96.04	SBSH	\$708.00
25	6/3/2008	125581AB4	CIT Group Inc	28	C(B)	11:10:59	92.44	SBSH	
26	4/10/2008	125581CT3	CIT Group Inc	25	C(S)	15:46:41	77.5	SBSH	\$715.00
								TOTAL	\$11,306.28

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.

Citigroup Global Markets, Inc.
Matter No. 20080147325

Exhibit B

Item No.	Date	CUSIP ID	Issue	Quantity	Contra*	Trade Time	Trade Price	Firm	Restitution
1	04/04/2008	472653AJ3	JEFFERSON CNTY ALA LTD OBLIG SCH WT	25,000	C(S)	8:54:58	87.1	SBSH	
2	04/07/2008	79575EAR9	SALT VERDE FINL CORP GAS REV	500,000	C (S)	18:25:16	85.661	SBSH	\$ 12,322.60
3	05/08/2008	13062T2C1	CALIFORNIA ST VAR PURP	50,000	C (B)	10:59:28	97.162	SBSH	\$ 1,427.93
4	05/20/2008	87638TAP8	TARRANT CTY TEX CULTURAL ED FACS FIN	25,000	C (B)	15:35:13	104.317	SBSH	
5	06/24/2008	798111CDD	SAN JACQUIN HILLS CALIF TRANS	200,000	C (S)	14:11:32	90.792	SBSH	\$ 3,504.68
								TOTAL	\$ 17,255.21

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.

Citigroup Global Markets ("SBSH")
Matter #20090170355

Exhibit C

Item No.	Date	Cusip ID	Issue	Contra 1*	Trade 1 Quantity	Trade 1 Time	Trade 1 Price	Contra 2*	Trade 2 Quantity	Trade 2 Time	Trade 2 Price	Markdown	Spread	Restitution
1	7/1/2008	345397TS2	F.IO	C (S)	50	14:51:33	76.5	B-D (B)	50	16:32:07	79.063	3.24%		\$656.90
2	7/8/2008	37042GF68	GMA.HKL	C(S)	5	10:10:01	41.5	C(B)	5	15:24:38	51.25		23.49%	\$0.00
3	7/8/2008	37042GG59	GMA.HKS	C (S)	50	10:42:38	41.875	B-D (B)	50	12:03:37	44	4.83%		\$519.10
4	8/7/2008	370442AR6	GM.GE	C(S)	20	11:14:23	39.5	B-D (B)	20	11:42:54	45	12.22%		\$0.00
5	9/23/2008	929903DT6	WB.RU	B-D (B)	25	13:00:52	73.1	C (S)	25	14:13:50	69.5	4.92%		\$391.95
6	9/24/2008	370425RX0	GMA.HE	C (B)	50	11:42:30	55	C (S)/C (S)	5 & 40	15:55:32	49.875 & 49.5		10.27% & 11.11%	\$475.60
7	9/26/2008	939322AL7	WM.IE	C(S)	10	9:15:16	22.5	B-D (B)	10	9:00:43	35.063	35.83%		\$856.30
8	9/29/2008	370425SC5	GMA.HH	B-D (B)	50	11:10:43	45.5	C (S)	50	12:19:36	41.75	8.24%		\$894.47
Total														\$3,794.33

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.