

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100215905-01**

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

RE: Citadel Securities LLC, Respondent
Broker-Dealer
CRD No. 116797

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Citadel Securities LLC ("CDRG" or 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

CDRG has been a member of FINRA since February 25, 2005, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On April 28, 2010, an AWC became final pursuant to which CDRG was fined \$5,000 for violations of NASD Rule 6130(g) relating to the reporting of the .RO modifier during the period December 1, 2006 through March 3, 2008.

On January 8, 2009, an AWC became final pursuant to which CDRG was censured and fined \$15,000, which included a fine of \$10,000 for violations of NASD Rule 6955 during the period December, 1, 2006 through December 31, 2006.

FACTS AND VIOLATIVE CONDUCT

In Market Regulation Review No. 20100215905, the Trading and Market Making Surveillance staff of FINRA's Department of Market Regulation ("TMMS") conducted a review of CDRG's trading and market making activities for trade date July 27, 2010. A description of the areas reviewed by the staff is attached to this AWC as Exhibit 1.

1. During the review period, the firm transmitted to the Order Audit Trail System ("OATS") nine reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, in seven instances the firm omitted special handling codes, and in two instances the firm submitted inaccurate special handling codes to OATS. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
2. The firm incorrectly designated as ".PRP" to the FINRA/Nasdaq TRF eight last sale reports of transactions in designated securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6380A.
3. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of FINRA. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject areas: Trade Reporting (accurate and timely reporting) [b,d]; Accepting Matching Trades in a Timely Manner [b]; Reporting Trades on Member's Behalf [d]; OATS (accuracy of OATS data) [c]; Other Rules (sub-penny orders w/.01 [b], sub-penny orders w/ .0001 [a-d]; Use of Multiple MPIDs (Use of MPIDs, MPID access, MPID activity [c]; and Sale Transactions for CTDL Desk (locate requirements) [b-d]. The conduct described in this paragraph constitutes violations of FINRA Rule 2010 and NASD Rule 3010.

4. The firm also failed to provide documentary evidence that on the trade date reviewed in the TMMS examination it performed the supervisory reviews set forth in its written supervisory procedures concerning: Best Execution (execution of block-sized, “not-held” or customer orders with special pricing conditions), (Handling of multiple orders concurrently); and Use of Multiple MPIDs. The conduct described in this paragraph constitutes violations of FINRA Rule 2010 and NASD Rule 3010.

B. The firm also consents to the imposition, at a maximum, of the following sanctions:

A censure and a fine of \$35,000 (\$12,500 for violations of FINRA Rule 7450, \$12,500 for violations of FINRA Rule 6380A, and \$10,000 for violations of FINRA Rule 2010 and NASD Rule 3010), and an undertaking to revise the firm’s written supervisory procedures with respect to the areas described in paragraph I.A.3 above. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council, (“NAC”), a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph I.A.3 above; and, (3) the date the revised procedures were implemented.

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 sanction(s) 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 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:

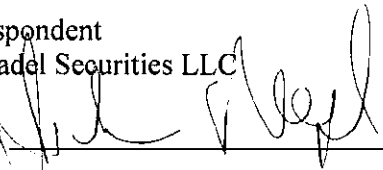
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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: (i) testimonial obligations; or (ii) 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.

August 13, 2013
Date

Respondent
Citadel Securities LLC

By: 

Name:

JOHN NAGEL

Authorized Signatory

Title:

Reviewed by:

Not Applicable 

Attorney Name

Counsel for Respondent

Firm Name

Address

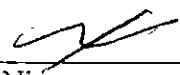
City/State/Zip

Phone Number

Accepted by FINRA:

9/27/13
Date

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


James J. Nixon
Chief Litigation Counsel
Department of Market Regulation

Citadel Securities LLC
Examination No 20100215905
Sample Source/Period: July 27, 2010
Exhibit 1

<i>Sample Size</i>	<i>Sample Description</i>
434	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
124	Short Sales reviewed for compliance with SEC Rule 203(b) security location requirements
508	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624
264	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
477	Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
141	Sell orders entered into BATS Exchange execution system for compliance with BATS Rule 11.19 long/short reporting requirements
24	Sell orders entered into Boston Exchange execution system for compliance with BX Rule 4755 long/short reporting requirements
50	Limit orders for NMS securities in which the member acts as an exchange market maker for compliance with the display requirements of SEC Rules 602 and 604, and Nasdaq Rule 3390
38	Orders for compliance with best execution requirements of NASD Rule 2320 25 Held orders from the Held Order Protection Review 0 Not Held orders from the Not Held Order Review 13 Orders executed with a .PRP (Prior Reference Price) trade modifier 0 Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
50	Orders for compliance with order protection requirements of NASD Rules 2110, IM-2110-2, 2111, and Nasdaq Rules 2110, IM-2110-2, and 2111
10	Open Limit orders to buy and/or open Stop orders to sell securities that traded ex-dividend for compliance with NASD Rule 3220 and Nasdaq Rule 4761
62	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements
25	Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements
5	Data sets published for June 2010 monthly order execution report for compliance with SEC Rule 605 requirement to publish accurate data (a 'data set' encompasses all required statistical data for single security and order type/size category as described in SEC Rule 605)
0	Quarterly Routing Report for compliance with SEC Rule 606 requirements

- 20 CRD registration records for persons conducting and/or supervising Firm's trading and/or market making activities for compliance with NASD Rule Series 1020, 1030, 1040; Nasdaq Rule Series 1020, 1030, 1040; and BATS Rule IIA .
- 434 Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110
- 543 Number of Sell Trades for Compliance with SEC Rules 17a-3 and 17a-4
- 954 Trades reported to a TRF or OTCRF for compliance with FINRA Rules 6380A and 7230A or 6622 and 7330
- All Member's "Regular and Rigorous" review procedures regarding order execution quality for compliance with NASD Rules 2320 and 3010
- All Member's supervisory and operational policies and procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Regulation NMS Rule 611
- All Member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing execution of the WSPs for compliance with NASD Rule 3010, Nasdaq Rule 3010, or BATS Rule 5.1 requirements