

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011030674103**

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

RE: Citigroup Global Markets, Inc., Respondent
Member Firm
CRD No. 7059

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Citigroup Global Markets, Inc. ("CGMI" 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

CGMI is a wholly-owned subsidiary of Citigroup Financial Products, Inc. and an indirect wholly-owned subsidiary of Citigroup, Inc. The Firm has been a registered broker-dealer and member of FINRA since October 16, 1936, and its registration remains in effect. The Firm's principal place of business is in New York, New York, and it is engaged in a general securities business. It employs approximately 7,100 registered individuals who work out of approximately 660 branch offices.

The conduct at issue here took place within the Smith Barney Division of CGMI, which became a part of Morgan Stanley Smith Barney LLC on June 1, 2009.

OVERVIEW

Between April 9, 2007, and April 6, 2009 (the "Relevant Period"), CGMI permitted nine quarterly dividend checks totaling \$3,092.30, received from an issuer and payable to a third party, to be deposited into the personal brokerage account of registered representative Richard Peress ("Peress"). CGMI approved the deposit of these checks into Peress' account without obtaining a Letter of

Authorization ("LOA") from the third party payee, which was required by the Firm's written procedures. By virtue of the foregoing, CGMI violated NASD Rules 3010(b) and 2110 and FINRA Rule 2010.¹

FACTS AND VIOLATIVE CONDUCT

During the Relevant Period, CGMI allowed nine quarterly stock dividend income checks totaling \$3,092.30 to be deposited into Peress' personal brokerage account. The payee on the nine dividend checks was a third party who was not a customer of the Firm. The issuer should not have made these checks payable to or for the benefit of Peress.

Under its written policies, CGMI should not have permitted the deposit of these checks into Peress' account without an LOA from the third party. The Firm's written procedures prohibited the deposit of third party checks into an account, unless the checks were approved by a Branch Officer Manager and accompanied by an LOA that was signed by the third party payee. Here, CGMI supervisors approved the deposit of the checks but did not obtain an LOA from the third party as required by the Firm's written procedures.

NASD Rule 3010(b) requires each member to establish, maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD.

By failing to enforce its written procedures relating to the deposit of third party checks, CGMI violated NASD Rules 3010(b) and 2110 and FINRA Rule 2010.

B. CGMI consents to the imposition of the following sanctions:

1. A censure, and
2. A fine of \$30,000.

CGMI agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. CGMI has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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

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

¹ NASD Rule 2110 was superseded by FINRA Rule 2010 on December 15, 2008.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against it;
- 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, CGMI specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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.

CGMI 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

CGMI understands that:

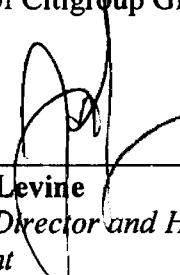
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against it; and
- C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Respondent 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. Respondent 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 Respondent'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. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 have been given a full opportunity to ask questions about it, has agreed to its 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.

On behalf of Citigroup Global Markets, Inc.

By: 
Joshua E. Levine
Managing Director and Head – ICG Regulatory Enforcement

Date: 7/15/15

Reviewed by:

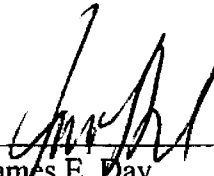


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8/13/15

Date

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



James E. Day
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