

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012034022101**

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

RE: Citigroup Global Markets Inc., Respondent ("CGMI" or the "Firm")
BD No. 7059

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, the Respondent 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The Respondent 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 has been a member of FINRA since October 16, 1936. The Firm's principal place of business is New York, New York.

RELEVANT DISCIPLINARY HISTORY

CGMI has no relevant disciplinary history with the Securities and Exchange Commission, FINRA, any other self-regulatory organization or any state securities regulator.

OVERVIEW

This matter concerns CGMI's violations of FINRA's registration requirements in operating the Citigroup Principal Strategies Desk ("CPS Desk"). The CPS Desk conducted a proprietary trading business from approximately November 2007 until January 2012 (the "Relevant Period"). CGMI permitted a group of associated persons ("Portfolio Managers") who were not registered with FINRA in any capacity to direct the CPS Desk's trading activity. Additionally, CGMI permitted a Managing Director who was not registered with FINRA in any

capacity to supervise a Portfolio Manager. By reason of the foregoing, CGMI violated NASD Membership and Registration Rules 1021 and 1031. In addition, CGMI violated NASD Conduct Rule 2110 (for the violations preceding December 15, 2008) and FINRA Rule 2010 (for the violations on and after December 15, 2008).

FACTS AND VIOLATIVE CONDUCT

NASD Membership and Registration Rule 1031(a) requires that "[a]ll persons engaged or to be engaged in the investment banking or securities business of a member who are to function as representatives shall be registered with NASD in the category of registration appropriate to the function to be performed as specified in Rule 1032." Rule 1031(b), in turn, defines a "representative" as a person who is associated with a member and, among other things, is engaged in the "solicitation or conduct of business in securities."

From approximately November 2007 through January 2012, CGMI operated the CPS Desk, a proprietary trading desk that traded equity securities. The CPS Desk (which was originally known as the Equity Principal Strategies Desk) was staffed by (i) approximately seventeen Portfolio Managers who had primary responsibility for the CPS Desk's trading decisions and (ii) approximately six registered traders who executed trades and interacted with counterparties at the Portfolio Managers' direction. While the traders held both Series 7 and Series 55 licenses, the Portfolio Managers, who directed trading activity on the CPS desk, were not registered with FINRA in any capacity.

Further, NASD Membership and Registration Rule 1021(a) provides that "[a]ll persons engaged or to be engaged in the investment banking or securities business of a member who are to function as principals shall be registered as such with NASD in the category of registration appropriate to the function to be performed as specified in Rule 1022." Pursuant to Rule 1021(b), principals include associated persons who are "actively engaged in the management of the member's investment banking or securities business, including supervision, solicitation, conduct of business or the training of persons associated with a member for any of these functions."

From July 2008 until the CPS Desk was closed in January 2012, CGMI permitted a Managing Director who was not registered with FINRA in any capacity to supervise one of the Portfolio Managers.

By reason of the foregoing, CGMI violated NASD Membership and Registration Rules 1021 and 1031, NASD Conduct Rule 2110 (for the violations preceding December 15, 2008) and FINRA Rule 2010 (for the violations on and after December 15, 2008).

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

- a censure; and
- a fine in the amount of \$175,000.

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

The Respondent 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.

II.

WAIVER OF PROCEDURAL RIGHTS

The Respondent 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 Respondent;
- 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 Respondent 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.

The Respondent 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 Respondent understands that:

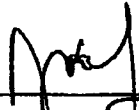
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Respondent; and
- C. If accepted:
 - 1. this AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the Respondent'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 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. The 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 the 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. The Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The 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.

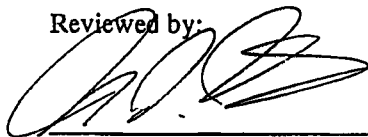
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity

to ask questions about it; that the Firm 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.

9/22/2014
Date (mm/dd/yyyy)

Citigroup Global Markets, Inc.
Respondent
Citigroup Global Markets Inc. (BD No. 7059)

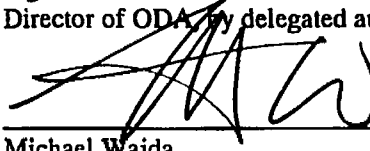
By: 
[Name and Title]
Joshua E. Levine
Managing Director

Reviewed by: 
Michael D. Wolk
Counsel for Respondent
Sidley Austin LLP
1501 K Street, N.W.
Washington, DC 20005
(202) 736-8000

Accepted by FINRA:

October 6, 2014
Date

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

A handwritten signature in black ink, appearing to be 'MW', is written over a horizontal line.

Michael Wajda
Senior Regional Counsel
FINRA Department of Enforcement
One World Financial Center
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New York, NY 10281-1003
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