

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130359819-01**

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., ("CGMI", the "Firm", or "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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. 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, and its registration remains in effect. The Firm has no relevant disciplinary history.

SUMMARY

In connection with Matter No. 20130359819, FINRA Department of Market Regulation staff ("staff") originally conducted Over-The-Counter ("OTC") Position Limit Reviews of CGMI for the first and third quarters of 2013. A large options position in excess of the allowable limit may disrupt the marketplace by allowing the option holder to influence the price of the option or underlying security. Position limits also protect firms and customers from over-exposure to price fluctuations in one product. As a result of its quarterly reviews, staff detected position limit overages.

Staff also detected violations in connection with CGMI's reporting of conventional options to the Options Clearing Corporation ("OCC") Large Options Positions Report ("LOPR") and related supervisory deficiencies during the period between January 2010

and June 2015 (the “Review Period”). FINRA and all of the listed options exchanges receive LOPR information. LOPR data is used extensively by regulators to identify holders of large options positions who may be attempting to manipulate the market or otherwise violate securities rules and regulations. The accuracy of LOPR data is essential for the analysis of various potential violations, including insider trading, position limits, exercise limits, front-running, capping and pegging, mini-manipulation, and marking-the-close.

The OTC options market differs from the listed options markets in several respects. The most significant distinction is that listed options transactions clear through a central source (i.e., the OCC) so that trade and position information is readily available for comparison, whereas there is no independent source of data for comparison with OTC options transactions. OTC derivatives are written directly between two parties, are not listed on any exchange, and are not cleared through the OCC. Because OTC options transactions data is not readily available, FINRA requires firms to submit for each series, on or before T+1: (i) an intra-day position, which is the largest position held by a firm on that day for that account and series; and (ii) an end-of-day position. In addition, firms must submit both sides (e.g., firm and customer) to the LOPR.

FACTS AND VIOLATIVE CONDUCT

Position Limits

1. CGMI exceeded the relevant position limit in two different securities for two different customers (exceeding the relevant position limit in a range of between 4 percent and 173 percent) for between two and 16 days, respectively, during July 2013, and from January 28, 2013 through February 19, 2013.
2. The conduct described in paragraph one above constitutes separate and distinct violations of FINRA Rule 2360(b)(3).

Reporting of Options Positions

3. During the Review Period, CGMI failed to report and failed to correctly report conventional options positions to the LOPR by: (i) failing to report two options positions to the LOPR in 30 instances¹ from January 28, 2013 through February 8, 2013; (ii) reporting one options position with an incorrect Account Name in five instances from February 11, 2013 through February 19, 2013; (iii) over-reporting positions in one option for one day on December 5, 2013; (iv) reporting incorrect Effective Dates for approximately 1,584 positions from January 2010 through July 2013; and (v) reporting numerous proprietary positions to the LOPR with ambiguous or incorrect Account

¹ An instance is the amount of positions multiplied by the amount of days the position was not reported or misreported.

Names, incorrect Account Address fields, incorrect Tax ID numbers and no Acting In Concert numbers for accounts that should have been linked as in-concert from March 2013 through January 2015.

4. The conduct described in paragraph three above constitutes separate and distinct violations of FINRA Rule 2360(b)(5).

Supervision

5. Pursuant to the former NASD Rule 3010, now FINRA Rule 3110, broker-dealers must provide for appropriate supervisory control of the organization, including a separate system of follow-up and review, to achieve compliance with FINRA and NASD rules, and with securities laws and regulations. Broker-dealers are required to provide for appropriate written procedures of supervision and control that are reasonably designed to achieve compliance with FINRA and NASD rules and compliance with securities laws and regulations. FINRA Rule 2010 requires a broker-dealer to observe high standards of commercial honor and just and equitable principles of trade in the conduct of its business.
6. During the Review Period, CGMI failed to maintain an adequate system of supervision, including systems of follow-up and review, which were reasonably designed to achieve compliance with the rules governing the reporting of options positions to the LOPR system. CGMI also lacked sufficient written supervisory procedures requiring reviews to determine that LOPR submissions were accurate and to identify and report options positions appropriately as acting in-concert.
7. The conduct described in paragraph seven above constitutes a violation of NASD Rule 3010 (for the period prior to December 1, 2014) and FINRA Rules 2010 and 3110 (for the period after November 30, 2014).

Other Considerations

In accepting this AWC, FINRA considered: (i) CGMI's self-reporting of its systemic Effective Date issue and expeditious remediation of that issue; and (ii) the type and nature of the Firm's reporting failures, including the limited impact the proprietary reporting issues had on surveillance conducted by staff.

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

A censure and a fine of \$50,000 (\$37,500 for LOPR and supervision violations; \$12,500 for Position Limit violations).

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

Respondent 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

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 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, 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.

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

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 Respondent; 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 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 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. Respondent 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.

5/12/16
Date

Respondent
Citigroup Global Markets Inc.

By: [Signature]

Name: Joshua E. Lewis

Title: Managing Director

Reviewed by:

Attorney Name
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

Accepted by FINRA:

5/20/2016
Date

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

[Signature]

Eric S. Brown
Chief Counsel
FINRA Department of Market Regulation