

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140411445-01**

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.

RELEVANT DISCIPLINARY HISTORY

On November 19, 2013, FINRA accepted an AWC in which the firm was censured and fined \$60,000 for Trade Reporting and Compliance Engine ("TRACE") reporting violations between January 2011 and September 2011.

On August 16, 2012, FINRA accepted an AWC in which the firm was censured and fined \$680,000 for TRACE reporting violations between July 1, 2007 and December 31, 2010, and \$100,000 for Municipal Securities Rulemaking Board's ("MSRB") Rule G-14 reporting violations between June 1, 2009 and June 30, 2010.

SUMMARY

In matter 20140411445, the staff of the Department of Market Regulation (the "staff") conducted a review of the firm's compliance with the MSRB Short-Term Obligation Rate Transparency ("SHORT") System reporting requirements. As a result of the review, the firm identified systemic issues that impacted the firm's MSRB SHORT interest rate reporting for weekly-reset variable rate demand obligation ("VRDO") securities during the period April 1, 2009 through July 17, 2014. The system issues caused the firm to report these rate resets to SHORT on the rate's effective date instead of the rate's determination date resulting in the firm's identification of the late submissions, inaccurate submissions, and the failures to report described below.

In matter 20150454232, the staff reviewed the firm's compliance with TRACE reporting requirements during the period January 1, 2015 through March 31, 2015.

FACTS AND VIOLATIVE CONDUCT

In connection with matter 20140411445:

1. During the period of April 1, 2009 through July 17, 2014, the firm failed to submit interest rate reset information for 251,507 VRDO securities to the MSRB's SHORT System within the time requirements prescribed by MSRB Rule G-34. The firm also failed to submit accurate rate reset dates and times to the MSRB's SHORT System for these 251,507 VRDO securities. Specifically, the determination dates the firm submitted to SHORT were actually the effective dates for the rates. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-34.
2. During the period of April 1, 2009 through July 17, 2014, the firm failed to submit information to the MSRB's SHORT System regarding the results of 801 interest rate resets for VRDO securities. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-34.
3. Between February 15, 2013 and July 17, 2014, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and MSRB rules, concerning the accuracy of its submissions to the MSRB's SHORT System. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes a violation of MSRB Rule G-27.

In connection with matter 20150454232:

4. During the period January 1, 2015 through March 31, 2015, the firm failed to report to TRACE 97 transactions in TRACE-eligible agency debt securities within the time required by FINRA Rule 6730. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting in violation of FINRA Rule 2010.

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

A censure, a \$250,000 fine (comprised of \$175,000 for the MSRB Rule G-34 violations, \$65,000 for the MSRB Rule G-27 supervision violation, and \$10,000 for the TRACE violations), 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; and, (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is 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 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 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 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 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. 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.

11/28/16
Date

Respondent
Citigroup Global Markets Inc.

By: [Signature]

Name: Jonathan E. Levine

Title: Managing Director

Reviewed by:

[Signature]
Attorney Name: NICHOLE COFFEY
Counsel for Respondent

Accepted by FINRA:

12/28/16
Date

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

[Signature]
Robert A. Marchman
Executive Vice President
Department of Market Regulation