

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014043477301**

**TO: Department of Enforcement
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" 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 the firm 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

Citigroup Global Markets Inc. is a wholly-owned subsidiary of Citigroup Inc. It provides investment banking, asset management, brokerage, securities trading, advisory, and other financial services to customers, and also engages in propriety trading for customer flow and hedging. The firm has been registered with FINRA since October 16, 1936, and its registration remains in effect. The firm is headquartered in New York, New York, and currently employs a total of approximately 7,443 registered representatives at its headquarters and its approximately 743 branch offices.

The firm has no relevant disciplinary history.

OVERVIEW

During the period between January 4, 2010 and March 11, 2016 (the "Review Period"), the firm failed to report and inaccurately reported reportable listed options positions to the Large Options Position Reporting ("LOPR") system in violation of FINRA Rule 2360(b)(5). LOPR data is used extensively by self-regulatory organizations to identify holders of large options positions who may be attempting to manipulate the market or

otherwise violate securities rules and regulations. Thus, the accuracy of LOPR data is essential for the analysis.

FACTS AND VIOLATIVE CONDUCT

Relevant Rule

FINRA Rule 2360(b)(5) states, in relevant part, that “[e]ach member shall file or cause to be filed with FINRA a report with respect to each account in which the member has an interest, each account of a partner, officer, director or employee of such member, and each customer, non-member broker, or non-member dealer account, which, acting alone or in concert, has established an aggregate position of 200 or more option contracts (whether long or short) of the put class and the call class on the same side of the market covering the same underlying security or index.” Additionally, “[t]he reports required by this subparagraph shall identify the person or persons having an interest in such account and shall identify separately the total number of option contracts of each such class comprising the reportable position in such account. The reports shall be in such form as may be prescribed by FINRA and shall be filed no later than the close of business on the next business day following the day on which the transaction or transactions requiring the filing of such report occurred.”

Violative Conduct

1. During the period from January 19, 2010 through April 24, 2015, the firm failed to report reportable options positions to the LOPR in approximately 183,548 instances¹ due to a programming error in connection with accounts acting in-concert. Because of a design flaw in the Firm’s reporting logic, if an acting in-concert group of accounts held fewer than 200 contracts in total, and then only some of the accounts in the in-concert group increased their positions, which pushed the total over 200 contracts, the firm only reported the positions of the accounts that actually increased their positions, and the accounts that did not increase their positions were not reported to the LOPR. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(5).
2. During the period from July 1, 2014 through April 10, 2015, the firm failed to report as acting-in-concert an unknown number of proprietary positions in at least two accounts because of a design flaw in the firm’s reporting logic. Although proprietary positions are not required to be reported to the LOPR, if they are reported, they must be reported correctly. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(5).
3. During the period from October 4, 2013 through March 11, 2016, the firm reported positions to the LOPR in the wrong format in 607 instances. A firm system flaw

¹ An “instance” is a single failure to report or of incorrectly reporting, a reportable option position. The number of instances is determined by multiplying a reportable position by the number of trade dates the position was not reported or was not reported accurately.

resulted in inaccuracies for accounts domiciled outside of the U.S. that did not have a U.S. Tax Identification Number, but did have a U.S. place of business. In such instances, the firm did not populate the relevant LOPR data field using the proper reporting format. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(5).

4. During the period from July 1, 2014 through September 30, 2015, the firm reported at least 16 positions to the LOPR with an incorrect effective date. The firm manually booked these positions "as of," but the firm mistakenly reported them to the LOPR based on the trade entry date, rather than the trade date ("as of" date). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(5).

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

- A censure; and
- A fine of \$55,000.

Respondent 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.

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

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 prejudice 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.

6/21/11
Date

Respondent
Citigroup Global Markets Inc.

By: 

Name: Joshua Levine

Title: Managing Director

Reviewed by:

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

Accepted by FINRA:

7/8/2011
Date

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


Steven M. Tanner
Senior Counsel
FINRA Department of Enforcement