

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150459717-01

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 September 26, 2013, FINRA accepted an AWC in which the firm was censured and fined \$32,500 for equity trade reporting violations between January and April 2012.

On May 30, 2013, FINRA accepted an AWC in which the firm was censured and fined \$800,000 for equity trade reporting and related supervisory violations, record keeping violations, and Order Audit Trails System ("OATS") reporting violations during various periods between February 2002 and August 2011.

SUMMARY

In matter nos. 20150459717 and 20150464590, the Trade Reporting Team (the “staff”) of the Department of Market Regulation (“Market Regulation”) reviewed the firm’s equity trade reporting compliance during the periods January 1, 2015 through April 30, 2015 (the “1T15 review period”), and September 1, 2014 through December 31, 2014 (the “3T14 review period”) and the 1T15 review period, respectively. Based on these reviews, as set forth below, Market Regulation found violations of FINRA Rules 7230A(b), 6622(a), 2010 and 3110.

FACTS AND VIOLATIVE CONDUCT

Matter no. 20150459717

1. During the 1T15 review period, the firm failed to accept or decline in the FINRA/Nasdaq Trade Reporting Facility (“FNTRF”) 147 transactions in reportable securities within 20 minutes after execution. The 147 instances account for 76% of all transactions (193) in National Market System (“NMS”) securities that the firm was required to accept or decline within 20 minutes after execution during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7230A(b).
2. During the 1T15 review period, the firm's supervisory system for its Convertible Trading Desk did not provide for supervision reasonably designed to achieve compliance with respect to FINRA Rule 7230A(b). Specifically, the firm's supervisory system for the Convertible Trading Desk 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 FINRA Rules 3110 and 2010.

Matter no. 20150464590

3. During the 3T14 review period, the firm failed to submit to the OTC Reporting Facility (“OTCRF”) 156 last sale reports of transactions in OTC equity securities within 10 seconds after execution. The 156 transactions account for 3% of all OTC transactions (5,094) the firm reported to the OTCRF in 3T14. The conduct described in this paragraph constitutes a violation of FINRA Rule 6622(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
4. During the 1T15 review period, the firm failed to submit 165 last sale reports of transactions in OTC equity securities within 10 seconds after execution. The 165 transactions account for 3.65% of all OTC transactions (4,515) the firm reported to the OTCRF in 1T15. The conduct described in this paragraph constitutes a violation of FINRA Rule 6622(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

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

1. A censure;
2. A \$65,000 fine (comprised of \$27,500 for the violations of Rule 7230A, \$10,000 for the supervisory violation, and \$27,500 for the violations of FINRA Rules 6622(a) and 2010); and
3. An undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.2 above. Within 30 business days of acceptance of this AWC by the by the National Adjudicatory Council ("NAC"), a registered principal of the firm 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 paragraphs I.A.2; 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.

8/15/17
Date

Respondent
Citigroup Global Markets Inc.

By: 

Name: Joshua E. Levan

Title: Managing Director

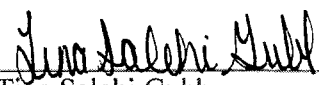
Reviewed by:

Attorney Name: _____
Counsel for Respondent

Accepted by FINRA:

9/8/17
Date

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


Tina Salehi Gubb
Chief Counsel, Legal Section
Department of Market Regulation