

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2019063024201**

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

RE: Citigroup Global Markets Inc. (Respondent)
Member Firm
CRD No. 7059

Pursuant to FINRA Rule 9216, Respondent Citigroup Global Markets Inc. 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Citigroup has been a FINRA member since October 1936. The firm is headquartered in New York, New York, has over 700 branch offices, and employs approximately 8,000 registered representatives. It is a full-service broker-dealer that provides investment banking, asset management, brokerage, securities trading, and other financial services to customers.¹

OVERVIEW

From the third quarter of 2012 through the second quarter of 2018, Citigroup violated Rule 606 of Regulation NMS by publishing inaccurate reports on its routing of non-directed orders in national market system (NMS) securities.

Additionally, from July 2012 through October 2021, Citigroup violated NASD Rule 3010, and FINRA Rules 3110² and 2010 by failing to establish and maintain a supervisory system and written supervisory procedures reasonably designed to achieve compliance with Rule 606.

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

² FINRA Rule 3110 superseded NASD Rule 3010 on December 1, 2014.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA exam of Citigroup.

Citigroup's Rule 606 reports inaccurately reported and omitted required information.

Regulation NMS Rule 606 is designed to foster greater transparency in connection with a broker-dealer's best execution responsibilities. To that end, Rule 606 requires every broker or dealer to make publicly available each calendar quarter a report containing information on its routing of non-directed orders³ in NMS securities. Rule 606(a)(1)(i) specifically requires that these reports disclose, among other information, the percentage of total non-directed orders. Rule 606(a)(1)(ii) requires the reports to disclose, among other information, "[t]he identity of the ten venues to which the largest number of total non-directed orders . . . were routed for execution and of any venue to which five percent or more of non-directed orders were routed for execution, [and] the percentage of total non-directed orders . . . routed to the venue."

A violation of Rule 606 also is a violation of FINRA Rule 2010, which states that "[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

For each calendar quarter from the third quarter of 2012 through the second quarter of 2018, the firm made publicly available reports on its routing of non-directed orders in NMS securities that were inaccurate. Specifically, based upon inaccurate information received from a vendor, these 24 quarterly reports over-reported the percentage of: (i) non-directed customer orders and (ii) non-directed customer orders that had been routed to the firm's CitiCross Alternative Trading System. Additionally, for at least the first and second quarters of 2018, the firm's Rule 606 reports failed to include all of the venues requiring disclosure under Rule 606(a)(1)(ii).

Therefore, Respondent violated Rule 606 and FINRA Rule 2010.

Citigroup failed to establish and maintain a supervisory system and written supervisory procedures reasonably designed to comply with Rule 606.

FINRA Rule 3110(a), like its predecessor NASD Rule 3010(a), requires that FINRA members "establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules." FINRA Rule 3110(b), like its predecessor NASD Rule 3010(b), requires FINRA members to "establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules."

³ A "non-directed order" means any customer order other than a directed order. A "directed order" means a customer order that the customer specifically instructed the broker-dealer to route to a particular venue for execution. See Regulation NMS Rule 600(b).

Violations of NASD Rule 3010 and FINRA Rule 3110 also are violations of FINRA Rule 2010.

From the third quarter of 2012 to October 2021, the firm failed to establish and maintain a supervisory system and written supervisory procedures reasonably designed to achieve compliance with Rule 606. The firm relied on a third-party vendor to supply the data for Rule 606 reporting. The firm's procedures required a designated person to review the data to "ensure that the percentages and underlying order counts appear accurate." The firm's procedures, however, did not describe how the reviews should be performed nor require any review of the accuracy of the underlying data.⁴

Therefore, Respondent violated NASD Rule 3010 and FINRA Rules 3110 and 2010.

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

- a censure and
- a fine of \$100,000.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent 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 an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 it;
- 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

⁴ In or around March 2019, the firm began conducting a review by comparing Rule 606 data in the firm's system to the information from the vendor. In October 2021, the firm added to its written supervisory procedures the steps to be performed to conduct this review.

- 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 its acceptance or rejection.

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 Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 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 its subject matter 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

November 16, 2022
Date

Mary E. Reiser
Citigroup Global Markets Inc.
Respondent

Print Name: Mary E. Reiser
Title: Managing Director

Accepted by FINRA:

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

11/17/2022
Date

Steven M. Tanner
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Senior Counsel
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