

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020068778601**

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

RE: Citadel Securities LLC (Respondent)
Member Firm
CRD No. 116797

Pursuant to FINRA Rule 9216, Respondent Citadel Securities LLC 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

Citadel Securities has been a FINRA member since February 2005. The firm is headquartered in Miami, Florida, and engages in market making and provides execution services in U.S. equities, options, government securities, and foreign exchange products. Citadel Securities has ten branch offices with over 580 registered representatives.¹

OVERVIEW

From the start of its Consolidated Audit Trail (CAT) reporting obligation on June 22, 2020, through August 28, 2024, Citadel Securities failed to timely and/or accurately report data for tens of billions of equity and option order events to the CAT Central Repository in violation of FINRA Rules 6830, 6893, and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's review of the firm's CAT reporting compliance.

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

CAT reporting requirements

The SEC adopted Rule 613 under the Securities Exchange Act of 1934 to create a comprehensive audit trail that would allow regulators to more efficiently and accurately track all activity throughout the U.S. markets in national market system (NMS) securities. In November 2016, the SEC approved a CAT NMS Plan. In March 2017, the SEC approved FINRA's proposal to adopt the FINRA Rule 6800 Series (CAT Compliance Rule) to implement the CAT NMS Plan.

Beginning on June 22, 2020, large industry members² that originated or received an order involving NMS or over-the-counter equity securities were required to report data to the CAT Central Repository and comply with Rule 613 of Regulation NMS and the FINRA Rule 6800 Series. In July 2020, large industry members were required to report data for options orders to the CAT Central Repository. As of December 2021, all FINRA members, regardless of size, were required to comply with these requirements. All proprietary trading activity, including market-making activity, is subject to CAT reporting.

CAT data is an integral part of FINRA's automated market surveillance program. FINRA uses CAT data to detect manipulative activity and other potential violations of federal securities laws and FINRA rules. Inaccurate, incomplete, or untimely transaction and order reporting can negatively affect the regulatory audit trail and the quality of FINRA's surveillance patterns, as well as FINRA's ability to accurately reconstruct market events.

FINRA Rule 6830(a) requires each member to record and electronically report to the CAT Central Repository specific details for each order and each "Reportable Event," as applicable. Reportable Event is defined to include, but is not limited to, the original receipt or origination, modification, cancellation, routing, execution (in whole or in part) and allocation of an order, and receipt of a routed order. FINRA Rule 6893(a) requires members to "record and report data to the Central Repository as required by this Rule Series in a manner that ensures the timeliness, accuracy, integrity and completeness of such data."

A violation of FINRA Rules 6830 and 6893 also is a violation of FINRA Rule 2010, which requires members, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

Citadel Securities failed to timely and/or accurately report data to the CAT Central Repository for tens of billions of order events.

As a large industry member, Citadel Securities was required to begin reporting its order event data to the CAT Central Repository on June 22, 2020. To prepare to report to CAT, Citadel Securities developed a proprietary order and trade reporting system, a testing

² A large industry member is a member that does not qualify as a small broker-dealer as defined under 17 CFR 240.0-10(c).

process, and related supervisory procedures designed to comply with the firm's CAT reporting obligations.

From the start of its CAT reporting obligation on June 22, 2020, through July 31, 2022, Citadel Securities inaccurately reported certain data fields for approximately 42.2 billion equity and option order events to CAT, spanning 33 unique CAT reporting error types. Three types of errors accounted for 41.8 billion inaccurately reported events. With respect to those issues, the firm:

- Did not report "0" in the "leaves quantity" field for certain fully canceled orders, impacting 31.2 billion canceled order events between June 22, 2020, and December 31, 2020.³
- Applied the "representative eligible" indicator⁴ instead of the "representative" indicator to 6.3 billion new order events between June 22, 2020, and April 9, 2021.
- Did not populate the Immediate or Cancel (IOC) Time-in-Force code for 4.3 billion IOC order events between June 22, 2020, and February 16, 2022.

As a result of the remaining 30 reporting error types, Citadel Securities reported over 400 million inaccurate order events to CAT between June 22, 2020, and January 22, 2022. In addition, from June 22, 2020, through July 31, 2022, Citadel Securities did not timely report approximately 580 million equity and option order events to CAT.

By September 22, 2022, Citadel Securities had remediated the 33 error types the firm experienced up to July 31, 2022, some of which had persisted from a few weeks to nearly two years. Citadel Securities reported the 580 million equity and options order events and submitted corrections for the 42.2 billion inaccurate orders events between one and 17 months after each reporting issue was corrected.

After remediating the 33 error types, Citadel Securities identified four additional issues that caused the firm to fail to timely and/or accurately report certain data fields for approximately 3.2 billion equity order events to CAT from December 13, 2021, through June 30, 2024. The firm remediated these issues by June 30, 2024, and submitted corrections for the approximately 3.2 billion events by August 28, 2024.

Citadel Securities' reporting violations were caused by various coding and system issues, issues with data received from third parties, and the firm's interpretation of certain reporting scenarios. Citadel Securities identified many of the reporting errors through its supervisory reviews.

By failing to timely and/or accurately report order event data to the CAT Central Repository, Citadel Securities violated FINRA Rules 6830, 6893, and 2010.

³ Instead of reporting "0", the firm reported the quantity of shares cancelled in this field.

⁴ A representative order is an order originated by an Industry Member for the purpose of working one or more customer orders. Orders marked by an inaccurate "representative eligible" indicator do not link to a corresponding customer order.

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

- a censure; and
- a \$1,000,000 fine.

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
- 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.

September 26, 2024

Date

David Rusoff

Citadel Securities, LLC
Respondent

Print Name: David Rusoff

Title: Chief Legal Officer

Reviewed by:

Stephanie Avakian, Esq.
Stephanie Avakian, Esq.

Counsel for Respondent
Wilmer Cutler Pickering Hale and Dorr LLP
2100 Pennsylvania Avenue NW
Washington, DC 20037

Accepted by FINRA:

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

October 9, 2024

Date

Luis A. Prieto

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