TO: New York Stock Exchange LLC  
c/o Department of Market Regulation  
Financial Industry Regulatory Authority ("FINRA")

RE: Citigroup Global Markets Inc., Respondent  
Broker-Dealer  
CRD No. 7059

Pursuant to Rule 9216 of the New York Stock Exchange LLC ("NYSE" or the "Exchange") Code of Procedure, Citigroup Global Markets Inc. ("CGMI" or 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, NYSE 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 NYSE, or to which NYSE 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 NYSE:

Background

1. CGMI, a wholly-owned subsidiary of Citigroup Inc., is headquartered in New York, New York. The Firm provides investment banking and financial advisory services. The Firm offers equity and debt financing, asset transaction, private equity, underwriting, institutional sales and trading, and mergers and acquisitions advisory services, and provides market access and execution services to the Firm’s institutional market participants (the “CGMI Clients” or “Firm Clients”) for a wide variety of products.

2. The Firm has been registered with NYSE since November 17, 1982, and with FINRA since October 16, 1936. Its registrations remain in effect. The Firm does not have a relevant disciplinary history.

3. Several letters were sent to the Firm beginning on April 17, 2015, and continuing through March 1, 2016, notifying the Firm of Market Regulation’s investigations into the matters referenced herein.
4. In Matter No. 20130354629, the Trading Examinations Unit of FINRA's Department of Market Regulation ("Market Regulation") reviewed several Clearly Erroneous Execution ("CEE") petitions that were filed between July 27, 2012 and July 31, 2013; an Erroneous Order event that occurred on the Exchange on October 31, 2012; the Firm's pre-trade capital thresholds in connection with the trading desk involved in the Erroneous Order event on the Exchange; and the Firm's compliance with Rule 15c3-5 of the Securities Exchange Act of 1934 ("SEA") (the "Market Access Rule").

5. In Matter No. 20130386863, the New York Equities Section of Market Regulation reviewed CEE petitions filed between November 21, 2013 and September 15, 2014; an Erroneous Order Event that occurred on the Exchange on March 15, 2013; the credit limit the Firm assigned to the Market Access Client in connection with the Erroneous Order event on the Exchange; the Firm's pre-trade credit limit controls; and the Firm's compliance with the Market Access Rule.

6. The above matters were part of investigations conducted by Market Regulation on behalf of the Exchange, FINRA and other self-regulatory organizations, including The NASDAQ Stock Market LLC, Bats BZX Exchange, Inc., Bats BYX Exchange, Inc., and NYSE Arca Equities, Inc. (collectively, the "SROs"), to review the Firm's compliance with the Market Access Rule and the supervisory rules of the relevant SROs, including NYSE Rule 342 (prior to 12/1/14) and NYSE Rule 3110 (on or after 12/1/14), and NYSE Rule 2010 during the period of least July 27, 2012 through at least December 2016 (the "Review Period").

7. As a result of these investigations, it was determined that during the Review Period, CMM failed to establish, document, and maintain a system of risk management controls and supervisory procedures, including written supervisory procedures and an adequate system of follow-up and review, reasonably designed to manage the financial, regulatory, and other risks of its market access business.

8. Specifically, from the beginning of the Review Period until July 2014, the Firm failed to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to prevent the entry of orders that exceeded appropriate pre-set credit and capital thresholds, in violation of SEA Rules 15c3-5(b) and (c)(1)(i), and NYSE Rule 342 (prior to 12/1/14) and NYSE Rule 3110 (on and after 12/1/14), and NYSE Rule 2010.

9. Additionally, during different portions of the Review Period, the Firm failed to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to prevent the entry of erroneous orders by rejecting orders that exceed appropriate price or size parameters, in violation of

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SEA Rules 15c3-5(b) and (c)(1)(ii), and NYSE Rule 342 (prior to 12/1/14) and NYSE Rule 3110 (on and after 12/1/14), and NYSE Rule 2010.

10. Furthermore, during the Review Period, the Firm failed to establish, document, and maintain a reasonably designed system for regularly reviewing the effectiveness of the risk management controls and supervisory procedures required by paragraphs (b) and (c) of SEA Rule 15c3-5, to assure the overall effectiveness of the Firm's risk management controls and supervisory procedures, in violation of SEA Rule 15c3-5(b) and (c)(1), and NYSE Rule 342 (prior to 12/1/14) and NYSE Rule 3110 (on and after 12/1/14), and NYSE Rule 2010.

Violative Conduct

Applicable Rules

11. During the Review Period, SEA Rule 15c3-5(b) required broker-dealers that provide market access to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of their market access business.  

12. During the Review Period, SEA Rule 15c3-5(c)(1)(i) specifically required market access broker-dealers to have financial risk management controls and supervisory procedures reasonably designed to prevent the entry of orders that exceed appropriate pre-set credit or capital thresholds in the aggregate for each customer and the broker or dealer and, where appropriate, more finely-tuned by sector, security, or otherwise by rejecting orders if such orders would exceed the applicable credit or capital thresholds.

13. During the Review Period, SEA Rule 15c3-5(c)(1)(ii) specifically required market access broker-dealers to have financial risk management controls and supervisory procedures reasonably designed to prevent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicate duplicative orders.

14. During the Review Period, SEA Rule 15c3-5(e) required a broker or dealer with market access to establish, document and maintain a system for regularly reviewing the effectiveness of its risk management controls and for promptly addressing any issues. SEA Rule 15c3-5(e)(1) required the broker or dealer to review, no less frequently than annually, the business activity of the broker or dealer in connection with market access to assure the overall effectiveness of its risk management controls and supervisory procedures. Moreover, this rule required, among other things, that the review be conducted in accordance with written procedures and be documented. These provisions were intended to ensure that a broker or dealer “implements

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2 Rule 15c3-5 requires that, as gatekeepers to the financial markets, broker-dealers providing market access must “appropriately control the risks associated with market access so as not to jeopardize their own financial condition, that of other market participants, the integrity of trading on the securities markets, and the stability of the financial system.” 17 C.F.R. § 240.15c3-5, 75 Fed. Reg. 69792 (Nov. 15, 2010).
supervisory review mechanisms to support the effectiveness of its risk management controls and supervisory procedures on an ongoing basis." Moreover, brokers or dealers with market access are required to adjust their controls and procedures "to help assure their continued effectiveness in light of any changes in the broker-dealer's business or weaknesses that have been revealed."

15. Rule 15c3-5 requires, among other things, that a broker-dealer with market access document its system of risk management controls and supervisory procedures that are designed to manage the financial, regulatory, and other risks of market access. The broker-dealer must preserve a copy of its supervisory procedures and "a written description of its risk management controls" as part of its books and records for the time period required by SEC Rule 17a-4(e)(7) (emphasis added). The required written description is intended, among other things, to assist SEC and SRO staff to assess the broker-dealer's compliance with the rule. Exchange Act Release No. 34-63241, 75 Fed. Reg. 69792, 69812 (Nov. 15, 2010).

16. During the Review Period, NYSE Rule 342 (for conduct prior to 12/1/14) and NYSE Rule 3110 (for conduct on and after 12/1/14) required, among other things, each member organization shall establish and maintain a system to supervise the activities of each associated person, including written supervisory procedures, that were reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange rules.

17. During the Review Period, NYSE Rule 2010 provided that a member organization, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles.

Overview of CGMI's Market Access Systems

18. During the Review Period, CGMI provided and maintained market access, and executed more than 175 million trades for the Firm Clients.

19. During the Review Period, CGMI sales traders used several different order management systems ("OMS") and execution management systems ("EMS") to facilitate orders. Some examples of the OMSs used by the Firm to enter orders are NetX360, GSS, COMET Sales and C4, certain of which contain certain pre-trade controls associated with them that were developed by the Firm. Customer orders are generally routed through one of three different Firm EMSs, which are known as COMET, PTE, and ARES, which are used to manage orders. These OMSs or EMSs route the orders to an internal Alternative Trading System ("ATS") such as Citicross, directly to the market, through various Firm trading algorithms, or to the Firm's smart-order-router ("SOR"), that sends the order to various market centers. These

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3 75 Fed. Reg. at 69811.
4 Id.
5 See 17 C.F.R. § 240.15c3-5(b). Rule 17a-4(e)(7) requires a broker-dealer to maintain and preserve such description "until three years after the termination of the use of the document." See 17 C.F.R. § 240.17a-4(e)(7).
OMSs and EMSs contained pre-trade controls and filters that are applied to orders. In addition, CGMI assigned and applied various credit limits and capital thresholds controls to the Firm Clients and trading desks.

20. Depending on the EMS, during the Review Period, CGMI generally implemented one or more of the following pre-trade controls: a single order notional control (i.e., the value of an order, which is generally calculated by multiplying the share price by the amount of shares); a single order quantity control; an average daily volume (“ADV”) control; soft-blocks; a combination of both soft-blocks and hard-blocks; and a market order hard-block. The combination of controls and the limits at which these controls were set varied depending upon the EMS utilized or the trading desk.

Inadequate Pre-Trade Erroneous Order Controls

21. Despite the various pre-trade controls designed to prevent the entry of erroneous orders that the Firm had in place during the Review Period, as described below, the Firm failed to implement reasonable pre-trade risk management controls as applied to certain orders submitted by certain CGMI Clients or trading desks. Further the Firm failed to establish and implement reasonable supervisory procedures designed to prevent the entry of erroneous orders during the Review Period, as set forth below.

22. Because at times CGMI’s pre-trade controls were unreasonable as applied to certain Firm Clients or trading desks, CGMI failed to prevent the transmission of certain erroneous equity orders to the SROs, which caused 12 clearly erroneous events, resulting in the filing of eight CEE petitions for six of the events (four events did not result in CEE petitions). These events caused one trading halt and several large price change alerts/price movements, including a price movement in one security of approximately 34%.

23. Deficiencies in CGMI’s pre-trade price and size controls resulted in the submission of the orders that caused the Erroneous Events. For example, the majority of the Firm’s controls during the Review Period employed soft-blocks that could easily be overridden by the Firm’s traders, thus causing the control to be ineffective without additional reasonable controls or review. Moreover, until June 2013, the Firm failed to capture (i.e., retain) when soft-blocks for erroneous orders were triggered or overridden, and during the entire Review Period, the Firm failed to regularly review when these types of soft-blocks were triggered or overridden.

24. For example, on October 31, 2012, the Firm’s Principal Program Trading (“PPT”) desk\(^5\) entered a series of 56 orders on behalf of a Firm Client in an attempt to create a basket of stocks ("Erroneous Basket"). The PPT desk attempted to hedge the position and entered its hedge order via the Firm’s ARES EMS. Immediately after placing the orders, a Firm trader on the floor of the Exchange realized that the Firm’s algorithm had significantly miscalculated the basket and the Firm cancelled the basket before

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\(^5\) The PPT desk executes program orders by providing liquidity guarantees to the customer-facing US Agency Programs desk on a principal basis.
the orders were executed. The miscalculation of the basket was due to the EMS defaulting to a fallback logic that contained a coding error. The orders were on average about 328% over the 30-day ADV of the symbols in the Erroneous Basket and had an approximately total value of $13 billion dollars. While not executed and cancelled less than a minute after entry, the Erroneous Basket order information was disseminated by the New York Stock Exchange LLC via its Order Imbalance Information data feed and caused a significant imbalance near the close. The large imbalances had the effect of exerting artificial downward pricing pressure on all 56 symbols. While on this date there were three soft-blocks (quantity, notional value and price movement) in place that would have been triggered as a result of the Erroneous Basket, because no hard-block existed, the soft-blocks were overridden and the basket was sent electronically for execution without being subjected to any further review or controls. Additionally, the Firm failed to retain and review the soft-blocks that were triggered for this Erroneous Basket.

25. Additionally, on March 15, 2013, a CGMI Client placed an order to buy 1.8 million shares of "ABC" security that was listed on the Toronto Stock Exchange. The Firm’s Agency Programs Desk inadvertently entered a Market on Close ("MOC") order for "DEF", which was a security with a similar name that was listed on the Exchange, rather than ABC. The order, which was valued at approximately $36 million, was routed through the Firm’s PTE EMS to the Exchange. During this time period, the 20-day ADV for DEF was approximately 80,780 shares, thus CGMI’s order was over 22 times the ADV. As a result of the order, the Exchange systems published a buy-side order imbalance of 1.8 million shares based upon the price of the order placed in DEF. Given the significant size of the MOC/LOC buy-side imbalance, the market responded accordingly with upward pressure on the stock of approximately 6%. While on this date there were two soft-blocks (quantity and notional value) in place that would have been triggered as a result of these orders, because no hard-block existed, the Firm’s soft-block controls were simply overridden and bypassed without being subjected to additional Firm controls. Additionally, the Firm failed to retain and review the soft-blocks that were triggered for this erroneous order.

26. At times during the Review Period, the Firm failed in respect to some of its systems to implement reasonable controls that took into account the individual characteristics of a security. When it did implement an ADV control, it was set too high to be effective, or employed an excessive minimal share quantity threshold, and was therefore unreasonable without additional controls. For example, the ADV control for the COMET EMS was initially set at a level too high to be effective. Further, while the ADV control level was significantly reduced in March 2014, it was still unreasonable. In addition, an ADV control for at least one OMS contained a minimum share quantity threshold which was also exceedingly high. Similarly, when

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7 In July 2013, the Firm implemented hard blocks in ARES and in March 2014, implemented hard blocks in PTE and COMET.
8 A generic identifier has been used in place of the name of this security.
9 A generic identifier has been used in place of the name of this security.
the Firm implemented single order notional and quantity controls, they were also set at thresholds that were unreasonable without additional controls.

27. In at least two separate areas during the Review Period, the Firm’s pre-trade erroneous order controls wholly failed to apply. First, prior to September 20, 2013, if a Firm Client or trading desk entered an order outside of normal trading hours, the order was not exposed to any controls. Second, during the Review Period, while orders that were received by the Firm from a CGMI Client and routed through the Firm’s smart-order-router (i.e., a “parent order”) were subject to the Firm’s pre-trade erroneous order controls, if the parent order was thereafter broken into more than one smaller orders (i.e., “child orders”), the child orders were not subject to a pre-trade price control.

28. Prior to the implementation of hard-blocks on May 17, 2013 in PTE and on December 16, 2013 in COMET, the Firm only employed soft-block controls for market orders entered by Firm Clients or trading desks, either intentionally or by mistake, which could be overridden without being subjected to either additional pre-trade controls or review. Further, prior to these dates, the Firm did not have an effective share quantity control in place that would block market orders from being sent directly to the market. Following the implementation of the market order hard-block, if a Firm Client or trading desk entered a market order in COMET, the Firm’s systems would automatically convert the market order into a limit order priced 5% away from the previous sale, which was lowered to 3% in July 2015. However, the Firm’s pre-trade share quantity control that applied to these converted limit orders was not effective to prevent the entry of erroneous orders.

29. Additionally, during the Review Period, the Firm’s Convertible desk utilized a “Pairs Algorithm,” that was designed to allow the desk to place orders that simultaneously buy one security while selling another security to minimize market impact on both legs of the trade. The quantities of each security to be bought or sold are entered manually by the trader and then executed to maintain a hedged position. However, prior to August 12, 2013, the Pairs Algorithm did not possess a pre-trade control to prevent the entry of an erroneous order where a Firm trader erroneously entered an incorrect value for one side of the pairing, which could result in the entering of an erroneous order with an incorrect number of shares. On August 12, 2013, the Firm implemented a hard block that was triggered if the different legs in the Pairs Algorithm did not maintain a minimum ratio.

30. The acts, practices, and conduct described above in paragraphs 21 through 29 constitute violations of SEA Rules 15c3-5(b) and (c)(1)(ii), and NYSE Rule 342 (prior to 12/1/14) and NYSE Rule 3110 (on and after 12/1/14), and NYSE Rule 2010.

Inadequate Pre-Set Capital Thresholds

31. During the Review Period prior to March 2014, for at least one of the Firm’s trading desks, the Firm failed to establish and implement risk management controls and supervisory procedures reasonably designed to prevent the entry of orders that
exceeded appropriate pre-set capital thresholds by rejecting orders if such orders would exceed the applicable capital thresholds set by the broker-dealer.

32. During the Review Period, the Firm maintained and monitored capital/credit thresholds for both its internal trading desks and for Firm Clients within its "Lighthouse" system. Alerts generated by Lighthouse were sent to appropriate compliance and trading supervisors via email, and also generated pop-up notices within certain systems that subscribed to the Lighthouse alerts. When either a Firm trading desk or a Firm Client exceeded 80% of the set threshold (which includes executed and open orders), an alert was generated, and additional alerts were generated at 90%, 100%, and 110% of the threshold. When a desk or Firm Client reached 100% or greater of their credit/capital limit, any new order required a Firm trader, or a sales trader in the case of a Firm Client, to verify additional orders by selecting one of three pre-set reasons (i.e., (1) limit increase pending, e-mail approval obtained; (2) user override, will discuss with supervisor; or (3) system issue).

33. The Firm established an internal pre-set capital threshold of $10 billion for the PPT desk during the Review Period. Prior to March 2014 in PTE and COMET, and prior to July 2013 in ARES, the capital thresholds applicable to PPT would not prevent the entry of an order that breached PPT's $10 billion dollar limit, or a series of orders that were placed simultaneously even if the orders breached PPT's $10 billion dollar limit. Due to a coding error, an alert would only be generated after the entry of an order or orders that exceeded the $10 billion limit.

34. Because of the Firm's failure to configure its controls to prevent the entry of orders that would cause a pre-set capital threshold to be breached, the Firm's pre-trade risk management controls and supervisory procedures in ARES failed to prevent the entry of the $13 billion Erroneous Basket on October 31, 2012, which was $3 billion greater than the maximum $10 billion capital threshold set for the PPT desk. As is set forth above, these orders caused the Exchange to disseminate a significant imbalance near the close before the orders were cancelled.

35. The acts, practices, and conduct described above in paragraphs 31 through 34 constitute violations of SEA Rules 15c3-5(b) and (c)(1)(i), and NYSE Rule 342 (prior to 12/1/14) and NYSE Rule 3110 (on and after 12/1/14), and NYSE Rule 2010.

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10 By March 2014, the Firm had implemented hard-blocks for all its execution management systems that would prevent the entry of orders that would exceed a pre-set capital threshold on desks such as the PPT desk.
Inadequate Pre-Set Credit Limits and Procedures to Ensure Compliance with Pre-Set Credit Limits

36. During the Review Period, the Firm failed to conduct the required due diligence to establish reasonable credit limits for certain of its Clients.

37. For example, the Firm failed to conduct the required due diligence to establish the appropriate credit limit for a certain Client whose order was responsible for the erroneous order event in DEF on March 15, 2013. On March 15, 2013, the Firm primarily used the following three factors to establish appropriate credit limits for CGMI Clients: (1) the client's research rating; (2) the client's street-wide equity volume; and (3) equity commissions paid by the client to the Firm. Using these factors, CGMI’s Clients were generally placed into one of three credit limit tiers (i.e., “Silver” - $500 million; “Gold” - $1 Billion; and “Platinum” - $2 Billion), but the Firm also maintained a lower fourth credit limit tier of $250 million. Any new CGMI Clients, absent a specific instruction from management, was initially to be given the lowest credit limit of $250 million at the start of trading. The CGMI Client that placed the 1.8 million share buy order in ABC on March 15, 2013, which was subsequently erroneously entered by the Firm in DEF, had been placed in the Silver Tier with a $500 million dollar credit limit. However, this client was a broker-dealer subsidiary that was owned by a foreign bank that had been recently nationalized. Further, the client had no previous trading history with the Firm. Given these facts, the setting of the $500 million credit limit for this client was not reasonable. Further, the Firm failed to establish it conducted the required due diligence to establish the credit limit for this CGMI Client. Moreover, the Firm’s failure to have any credit limit tier below $250 million for its clients was also not reasonable.

38. In addition, during the Review Period the Firm failed to establish and maintain a reasonable system to ensure that the CGMI Clients complied with pre-set credit limits. Once the Firm assigned a client to a given credit limit tier, the information was entered into its “Lighthouse system,” which is a CGMI application that monitors total orders at the client “Grand Parent level” and keeps an ongoing tally of the daily aggregate credit limit utilized by each client. Lighthouse generated a soft-block alert whenever a client breached a preconfigured set of percentages, including early warnings, of that client’s pre-set credit limit. Credit limit breach soft-block alerts were triggered at 85, 90, 100, and 110% of a given client’s credit limit. Although some additional minor steps were required to bypass a soft-block triggered at 100% or 110%, the soft-blocks were able to be overridden and bypassed when triggered for a client’s credit limit without being subjected to additional Firm controls or any supervisory review or oversight. Further, until June of 2013, the Firm was neither retaining nor reviewing when credit limit soft-blocks occurred or were bypassed, making these systems and controls unreasonable.

11 Beginning in 3Q14, the Firm discontinued assigning all its clients an initial $250 million credit limit, and instead set the initial limit at $0 pending further review and approval of a specific limit, which could thereafter be set substantially less than $250 million.
39. The acts, practices, and conduct described above in paragraphs 36 through 38 constitute violations of SEA Rules 15c3-5(b) and (c)(1)(i), and NYSE Rule 342 and 2010.

**Inadequate Periodic Review of Override Activity**

40. During the Review Period, the majority of the Firm's pre-trade equities controls for erroneous orders, credit limits and capital thresholds involved the use of soft-blocks. Prior to June 2013, however, the Firm failed to capture or retain any instance in which a soft-block was triggered or overridden. In June 2013, the Firm began capturing/retaining data regarding the occurrence and overrides of soft-blocks for erroneous orders and credit limits capital thresholds.

41. Beginning in June 2013, the Firm began to review any instance in which a soft-block for credit limits/capital thresholds were triggered or overridden. However, during the entire Review Period, the Firm failed to regularly review instances in which soft-blocks for potential erroneous orders were triggered or overridden.

42. Although the Firm periodically reviewed the effectiveness of its pre-trade risk management controls and supervisory procedures, because the Firm was neither capturing nor reviewing the occurrence or the bypassing of its soft-blocks prior to June 2013, and because the Firm also failed to conduct a regular review of instances in which a soft-block was triggered or overridden for potentially erroneous orders during the Review Period, it was not possible for the Firm to assure the overall effectiveness of its risk management controls and supervisory procedures for the prevention of erroneous orders during the Review Period. Moreover, CGMI's failures in this regard also prevented the Firm from being able to adequately adjust their controls and procedures to help assure their continued effectiveness or to determine whether there were any weaknesses in their controls or procedures.

43. Additionally, notwithstanding that there were erroneous order events beginning in 2012 that triggered soft-blocks, and although there were regulatory inquiries into the erroneous events that began in 2013, the Firm failed to conduct regular reviews of when soft-blocks for potential erroneous orders were triggered or overridden during the Review Period. Accordingly, during the Review Period, the Firm failed to establish, document and maintain a reasonable system for regularly reviewing the effectiveness of its risk management controls and supervisory procedures.

44. The acts, practices, and conduct described above in paragraphs 40 through 43 constitute violations of SEA Rules 15c3-5(b) and (e)(1) and NYSE Rule 342 (prior to 12/1/14) and NYSE Rule 3110 (on and after 12/1/14), and NYSE Rule 2010.
B. The Firm also consents to the imposition of the following sanctions:

1. A censure;

2. A fine in the amount of $1,000,000, of which $225,000 is payable to NYSE; \(^{12}\) and

3. An undertaking requiring the Firm to address the Market Access Rule deficiencies described in this AWC and to ensure that it has implemented controls and procedures that are reasonably designed to achieve compliance with the rules and regulations cited herein.

   a. Within 120 days of the date of the issuance of the Notice of Acceptance of this AWC, CGMI shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a written report (the “written report”), certified by a senior management Firm executive, to MarketRegulationComp@finra.org that provides the following information:

      i. A reference to this matter;

      ii. A representation that the Firm has addressed each of the deficiencies described above; and

      iii. The date(s) this was completed.

   b. Between 90 and 120 days after the submission of the written report, the Firm shall submit a supplemental written report to FINRA to provide an update on the effectiveness of the enhancements and changes made by the Firm to its risk management controls and supervisory procedures as described in paragraph a(ii) above.

   c. The Department of Market Regulation may, upon a showing of good cause and in its sole discretion, extend the time for compliance with these provisions.

4. Acceptance of this AWC is conditioned upon acceptance of similar settlement agreements in related matters between CGMI and each of the following self-regulatory organizations: FINRA and other self-regulatory organizations, including The NASDAQ Stock Market LLC, Bats BZX Exchange, Inc., Bats BYX Exchange, Inc., and NYSE Arca Equities, Inc.

The Firm agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

\(^{12}\) The balance of the sanction will be paid to the SROs listed in Paragraph B 4.
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(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by NYSE Regulation staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under NYSE’s Code of Procedure:

A. To have a Formal Complaint issued specifying the allegations against the Firm;

B. To be notified of the Formal 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 Exchange’s Board of Directors 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 Regulatory Officer of the NYSE; the Exchange’s Board of Directors, Disciplinary Action Committee (“DAC”) and Committee for Review (“CFR”); any Director, DAC member or CFR member, Counsel to the Exchange Board of Directors or CFR; any other NYSE employee, or any Regulatory Staff as defined in Rule 9120 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 Rule 9143 or the separation of functions prohibitions of 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 FINRA’s Department of Market Regulation and the Chief Regulatory Officer of the NYSE, pursuant to NYSE 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. the AWC shall be sent to each Director and each member of the Committee for Review via courier, express delivery or electronic means, and shall be deemed final and shall constitute the complaint, answer, and decision in the matter, 25 days after it is sent to each Director and each member of the Committee for Review, unless review by the Exchange Board of Directors is requested pursuant to NYSE Rule 9310(a)(1)(B).

2. this AWC will become part of the Firm’s permanent disciplinary record and may be considered in any future actions brought by the NYSE, or any other regulator against the Firm;

3. the NYSE shall publish a copy of the AWC on its website in accordance with NYSE Rule 8313;

4. the NYSE may make a public announcement concerning this agreement and the subject matter thereof in accordance with NYSE Rule 8313; and

5. 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 the NYSE, or to which the NYSE 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 the NYSE is not a party.

D. A signed copy of this AWC and the accompanying Method of Payment Confirmation form delivered by email, facsimile or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy.

E. 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 the NYSE, nor does it reflect the views of NYSE Regulation 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.

Date 5/16/17

Michael D. Wolk, Esq.
Sidley Austin LLP
1501 K Street, N.W.
Washington, DC 20005
Counsel for Respondent

Citigroup Global Markets, Inc., Respondent

By: Joshua E. Levin
Title: Managing Director

Accepted by FINRA:

Date 6/1/17

Robert A. Marchman
Executive Vice President, Legal Section
Department of Market Regulation

Signed on behalf of the NYSE, by delegated authority from the Chief Regulatory Officer of the NYSE.