

**BATS EDGX EXCHANGE, INC.**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20160490438-04**

TO: Bats EDGX Exchange, Inc.  
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 8.3 of the Rules of Bats EDGX Exchange, Inc. ("EDGX"), 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, EDGX 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 EDGX, or to which EDGX 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 EDGX:

**BACKGROUND**

The firm has been a member of FINRA since October 16, 1936, and its registration remains in effect. The firm became a member of EDGX on May 27, 2010, and its registration remains in effect.

**RELEVANT DISCIPLINARY HISTORY**

On May 30, 2013, FINRA accepted an AWC in which the firm was censured and fined \$477,500 for equity trade reporting violations in 14 matters spanning a period from February 2002 through August 2011, and \$225,000 for related supervisory violations.

On August 9, 2013, FINRA accepted an AWC in which the firm was censured and fined \$7,500 for equity trade reporting violations on June 23-24, 2010.

## SUMMARY

In connection with the firm's 2012 Trading and Market Making Surveillance ("TMMS")<sup>1</sup> Exam, conducted under Matter No. 20120316429, the TMMS staff of FINRA's Department of Market Regulation (the "staff") reviewed certain trading activity for trade date September 12, 2012.

In the course of the review, the staff detected a system issue that caused the firm to enter the incorrect capacity on hundreds of thousands of orders that it routed to multiple market centers between June 1, 2012 and September 30, 2013, including 73,999 orders the firm entered into the EDGX, and related supervisory violations. After the 2012 TMMS Exam, the capacity marking and related supervisory violations described herein were further investigated under Matter No. 20160490438, resulting in this settlement.

## FACTS AND VIOLATIVE CONDUCT

1. Between June 1, 2012 and September 30, 2013, the firm entered 73,999 orders into EDGX that failed to indicate the correct capacity. Specifically, the orders were entered as agency orders when they should have been marked as principal orders. The conduct described in this paragraph constitutes separate and distinct violations of EDGX Rule 11.5.
  2. Between June 1, 2012 and September 30, 2013, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the EDGX Rules, requiring firms to enter accurate information into EDGX, including whether the firm acted in a principal, agent, or riskless principal capacity. Specifically, the firm's supervisory system 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 EDGX Rules 3.1 and 5.1.
- B. The firm also consents to the imposition of the following sanctions:

A censure, a \$60,000 fine (comprised of \$40,000 for the capacity marking violations and \$20,000 for the related supervisory violation), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.2 above.

Within two weeks of acceptance of this AWC, a registered principal of the Respondent 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](mailto:MarketRegulationComp@finra.org), providing the following

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<sup>1</sup> Now known as Trading and Financial Compliance ("TFCE").

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(s) upon notice that this AWC has been accepted and that such payment(s) are 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(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by EDGX.

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

The firm specifically and voluntarily waives the following rights granted under EDGX Rules:

- A. To have a Statement of Charges issued specifying the allegations against the firm;
- B. To be notified of the Statement of Charges 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 Appeals Committee of EDGX'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 ("CRO"), in connection with his or her 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 EDGX Rule 8.16, 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 CRO, pursuant to EDGX Rule 8.3;
- 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 EDGX or any other regulator against the firm;
  - 2. this AWC will be published on a website maintained by EDGX in accordance with EDGX Rule 8.11, *Interpretations and Policies .01*. In addition, this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record; and
  - 3. 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 EDGX, or to which EDGX 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 EDGX 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 EDGX, nor does it reflect the views of EDGX 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.

8-18-16

Date

Respondent

Citigroup Global Markets Inc.

By: 

Name: Dasha E. Lomina

Title: Managing Director

Reviewed by:

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

10/5/2016

Date

  
\_\_\_\_\_  
Tamara Schademann  
Chief Regulatory Officer  
Bats EDGX Exchange, Inc.

**ELECTION OF PAYMENT FORM**

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount;
- Wire transfer;

Respectfully submitted,  
Respondent  
Citigroup Global Markets Inc.

8/28/2016  
Date

By: [Signature]  
Name: Sumer Tyne  
Title: Assoc. Gen. Counsel