

**CBOE BZX EXCHANGE, INC.**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
NO. 20150465900-01

TO: Cboe BZX Exchange, Inc.  
c/o Department of Enforcement  
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 Cboe BZX Exchange, Inc. ("BZX"), Citigroup Global Markets Inc., Respondent (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, BZX 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 BZX, or to which BZX 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 BZX:

**BACKGROUND**

The firm has been registered with the Securities and Exchange Commission since January 25, 1960, with FINRA since October 16, 1936, and has been a member of BZX since September 24, 2008. The firm does not have any relevant disciplinary history.

**OVERVIEW**

During the period of November 1, 2011 through November 14, 2014 (the "review period"), the firm failed to implement a reasonable system for compliance with Rule 611(c) of Regulation NMS under the Securities Exchange Act of 1934 ("SEC Rule 611") in violation of SEC Rule 611(c) and BZX Rules 11.9(d)(1) (for conduct occurring before October 17, 2014), 11.9(d) (for conduct occurring on or after October 17, 2014), 5.1, and 3.1.

## FACTS AND VIOLATIVE CONDUCT

1. SEC Rule 611(c) provides that the trading center, broker, or dealer responsible for routing Intermarket Sweep Orders ("ISOs") shall take reasonable steps to establish that such orders meet the requirements of SEC Rule 600(b)(30) of Regulation NMS ("SEC Rule 600(b)(30)").
  2. SEC Rule 600(b)(30) defines an ISO as a limit order for an NMS stock that meets the following requirements: (1) when routed to a trading center, the limit order is identified as an ISO; and (2) simultaneously with the routing of the limit order identified as an ISO, one or more additional limit orders, as necessary, are routed to execute against the full displayed size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the NMS stock with a price that is superior to the limit price of the limit order identified as an ISO. These additional routed orders also must be marked as ISOs.
  3. During the review period, the firm's system for compliance with SEC Rule 611(c) was unreasonable for several reasons. First, the firm did not have a system of review for ISOs independent of executions. Second, limitations in the firm's order routing system led to a failure to retain market data snapshots of the sequenced quotes relied upon to make routing decisions during times of rapid market data changes and the firm was not able to demonstrate that it had reasonable reviews for compliance with the ISO rules. Third, a latency issue within the firm's smart order router caused the firm to route ISOs through protected quotations on one exchange on numerous occasions between November 1, 2011 and December 16, 2013. In addition, on June 12, 2013, as the result of a market data feed issue, the firm failed to send 92 ISOs to better-priced quotes at one national exchange and failed to send an odd lot sized ISO to a better-priced quote at another national exchange.
  4. The conduct described in paragraph 3 constitutes violations of SEC Rule 611(c) and BZX Rules 11.9(d)(1) (for conduct occurring before October 17, 2014), 11.9(d) (for conduct occurring on or after October 17, 2014), 5.1, and 3.1.
- B. The firm also consents to the imposition of the following sanctions:
1. A censure, a fine in the amount of \$110,000, of which \$27,500 shall be payable to BZX; and
  2. An undertaking to submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, no later than 30 business days after the AWC becomes final, 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 processes and procedures to address the deficiencies described in paragraphs I.A.3; 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 BZX.

## **II.**

### **WAIVER OF PROCEDURAL RIGHTS**

The firm specifically and voluntarily waives the following rights granted under BZX 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 BZX'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 the CRO'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 BZX 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 BZX 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 BZX or any other regulator against the firm;
  - 2. This AWC will be published on a website maintained by BZX in accordance with BZX Rule 8.18. 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 BZX, or to which BZX 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 BZX 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 BZX, nor does it reflect the views of BZX 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.

10/25/2018  
Date

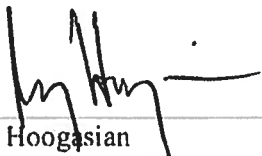
Citigroup Global Markets Inc.  
Respondent

By:   
Name: Joshua E. Lewis  
Title: Managing Director

Reviewed by:

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

10/29/2018  
Date

  
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Greg Hoogasian  
Senior Vice President & Chief Regulatory Officer  
Cboe BZX 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.

10-25-2019  
Date

By: J Tyne  
Name: James Tyne  
Title: Assoc. Gen. Counsel