

THE NASDAQ STOCK MARKET LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2016051144701

TO: The NASDAQ Stock Market LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

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

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq") Code of Procedure, Citigroup Global Markets Inc. (the "firm" or "Respondent") 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, Nasdaq will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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 Nasdaq, or to which Nasdaq 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 Nasdaq:

BACKGROUND

The firm became a member of Nasdaq on July 12, 2006, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

During the period January 1, 2015 through March 31, 2017 (the "review period"), the firm violated Nasdaq Rules 4613(a), 3010 and 2010A, as set forth below.

FACTS AND VIOLATIVE CONDUCT

Market Maker Quoting Obligations

1. Pursuant to Nasdaq Rule 4613(a), for each National Market System (NMS) security in which a Nasdaq member is registered as a market maker, the member is required to maintain a continuous two-sided trading interest, during regular market hours, at prices within certain parameters expressed as a percentage referenced from the National Best Bid or Offer ("NBBO").

2. During the review period, the firm, in 397 instances,¹ failed to maintain a continuous two-sided trading interest, during regular market hours, at prices within certain percentages away from the NBBO. Due to various technical difficulties, among other reasons, the firm experienced delays in posting quotes in symbols in which it was registered as a market maker and, in some instances, allowed its quotes to fall outside of designated percentages of the NBBO. The conduct described in this paragraph constitutes separate and distinct violations of Nasdaq Rule 4613(a).

Supervision

3. Nasdaq Rule 3010(a) provides, in part: "Each member shall establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable Nasdaq rules."
 4. Nasdaq Rule 2010A provides: "A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."
 5. During the review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to market maker quoting obligations. The firm did not have a reasonable process to identify and escalate issues for supervisory review. The firm's supervisory system therefore did not include reasonable supervisory steps to achieve compliance with Nasdaq Rule 4613. The firm updated its written supervisory procedures ("WSPs") to include reasonable supervisory steps, but did not revise its WSPs to reflect how the firm documents its reviews. The conduct described in this paragraph constitutes a violation of Nasdaq Rules 3010 and 2010A.
- B. Respondent also consents to the imposition of the following sanctions:
1. A censure;
 2. A fine of \$100,000 (consisting of a \$80,000 fine for the market maker quoting obligation violations and a \$20,000 fine for the supervision violation); and
 3. An undertaking to revise the firm's WSPs with respect to the areas described in paragraph I.A.5 above. Within 30 business days of this AWC becoming final, a senior executive of the Respondent shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 15200 OMEGA DRIVE, SUITE 300, ROCKVILLE, MD 20850, 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

¹ This is the number of validated violations based on a sample.

reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph I.A.5; and (3) the date the revised procedures were implemented.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. It has submitted a Payment Information form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under Nasdaq's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the firm;
- 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 Nasdaq Review Council 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 Regulatory Officer, the Nasdaq Review Council, or any member of the Nasdaq Review Council, 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.

Respondent further specifically and voluntarily waives any right to claim that a person violated the *ex parte* prohibitions of Nasdaq Rule 9143 or the separation of functions prohibitions of Nasdaq 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 FINRA's Department of Market Regulation and the Nasdaq Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Nasdaq 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 the firm's permanent disciplinary record and may be considered in any future actions brought by Nasdaq or any other regulator against the firm;
 - 2. Nasdaq may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; and
 - 3. 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 Nasdaq, or to which Nasdaq 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 Nasdaq is not a party.
- D. Respondent 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 Nasdaq, nor does it reflect the views of Nasdaq or its staff.

PAYMENT INFORMATION

For firms, the fine and/or disgorgement amount will be reflected on an upcoming invoice and will be direct debited from the account for your firm that the Exchange currently has on file. **Please DO NOT submit payment at this time.**

Please inform your finance or applicable department of this forthcoming debit.

For individuals, and for firms that would like to arrange for an alternative method of payment, please enter the billing contact information below and the Exchange's Billing Department will contact you. *Otherwise, please leave the following information blank.*

Billing Contact Name: James Tyne
Billing Contact Address: 388 Greenwich Street, New York, NY 10013
Billing Contact Email: James.Tyne@Citi.com
Billing Contact Phone Number: (212) 816-5668

Respectfully submitted,

Respondent

Citigroup Global Markets Inc.

6/6/2019

Date

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