

**NYSE AMERICAN LLC
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2017-11-00111**

TO: NYSE AMERICAN LLC

RE: Citigroup Global Markets Inc.
CRD No. 7059

Citigroup Global Markets Inc. violated NYSE American Rule 16 (Business Conduct) by failing to comply with its due diligence and best execution obligations with respect to its handling of a customer order on October 27, 2017. Consent to a censure and a \$95,000 fine.

* * *

Pursuant to Rule 9216 of the NYSE American LLC (“NYSE American” or the “Exchange”) Code of Procedure, Citigroup Global Markets Inc. (“Citigroup” 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 American will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I. ACCEPTANCE AND CONSENT

- A. Citigroup 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 American, or to which NYSE American 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 American:

BACKGROUND AND JURISDICTION

1. Citigroup is registered with the Securities and Exchange Commission as a broker-dealer and investment advisor and has been a member of NYSE American since February 1988. Its principal place of business is in New York, New York.

PROCEDURAL HISTORY

2. This matter arises from an NYSE Regulation investigation into Citigroup’s trading activity on October 27, 2017.

VIOLATIONS

3. On October 27, 2017, Citigroup violated NYSE American Rule 16 by failing to adhere to the principles of good business practice in the conduct of its business affairs, when it failed to fulfill its due diligence and best execution obligations with respect to its handling of a customer order.
4. At all relevant times, NYSE American Rule 16 required that every member and member organization “shall at all times adhere to the principles of good business practice in the conduct of its business affairs.”
5. On October 27, 2017, a Citigroup customer contacted a trader on the Citigroup equity derivatives single stock flow desk (“Citigroup Trader”) to purchase 5,000 Nov 2017 16.5 puts for company XYZ¹ (the “XYZ Trade”). Based on the market at that time, the Citigroup Trader told the customer that the order would be “done inside” the \$1.19 offer price.
6. The Citigroup Trader contacted a NYSE American floor broker (“Floor Broker”) to relay the customer’s order, and informed the Floor Broker, “I’m committed there [at \$1.19]. I want to do half,” instructing the Floor Broker to look for additional sellers in the market.
7. Due to price movement of the underlying stock, the Citigroup Trader subsequently requested “a couple pennies” on the XYZ Trade from his customer, to which the customer agreed.
8. The Citigroup Trader then contacted the Floor Broker a second time and instructed a new price of \$1.21 for the XYZ Trade. However, because the stock was “coming back,” the Citigroup Trader then re-instructed on the original \$1.19 price during this call. As the Floor Broker noted during this call, the NYSE American best offer for the XYZ puts was \$1.19 at the time.
9. The Citigroup Trader contacted the Floor Broker a third time, instructing them to “clear out the betters.” The Floor Broker informed the Citigroup Trader that they electronically purchased 500 XYZ contracts at \$1.18, and that “right now you’re selling 4,500 at \$1.19.” The Citigroup trader instructed the Floor Trader to “keep going” and asked whether the Floor Broker had identified any seller interest. The Floor Broker replied, “I have to still look but it’s all said and done,” and the Citigroup Trader again instructed him to “keep going.”
10. The market then again moved higher and, having found no additional seller interest, the Citigroup Trader instructed the Floor Broker to “put them up \$1.23 ... I’m 4,500.” The order was systematized, announced in open outcry, and released by the Floor Broker to buy 4,500 XYZ contracts for \$1.23, with Citigroup as the contra-seller.

¹ A generic identifier has been used in place of the name of the options series.

11. Due to market movement, the XYZ Trade was executed at \$1.23 even though the trade could have been executed earlier at the \$1.19 price originally quoted to the Citigroup customer. The \$1.23 execution price was four cents worse for the Citigroup customer, resulting in harm to the customer in the amount of \$18,000.
12. Accordingly, Citigroup failed to adhere to the principles of good business practice in the conduct of its business affairs, in violation of NYSE American Rule 16.

RELEVANT PRIOR DISCIPLINARY HISTORY

13. Citigroup does not have prior disciplinary history for violations of NYSE American Rule 16 as it pertains to the best execution of client options orders.

OTHER FACTORS

14. In determining to resolve this matter on the basis set forth herein, NYSE Regulation took into consideration that the Firm offered restitution to its customer in the amount of \$18,000.

SANCTIONS

- B. The Firm also consents to the imposition of the following sanctions:

Censure and fine in the amount of \$95,000

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. The Firm has submitted a Method of Payment Confirmation form showing the method by which it will 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 Firm agrees that it shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts. The Firm further agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts.

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 the NYSE American 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 prejudice of the Chief Regulatory Officer of NYSE American; 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 American 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 communication 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 by NYSE Regulation, and accepted by the Chief Regulatory Officer of NYSE American pursuant to NYSE American 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 American 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 Exchange, or any other regulator against the Firm;
 3. NYSE American shall publish a copy of the AWC on its website in accordance with NYSE American Rule 8313;
 4. NYSE American may make a public announcement concerning this agreement and the subject matter thereof in accordance with NYSE American 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 Exchange, or to which the Exchange 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 Exchange 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. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of NYSE Regulation or its staff.

The Firm certifies that, in connection with each of the Exchange's requests for information in connection with this matter, the Firm made a diligent inquiry of all persons and systems that reasonably had possession of responsive documents and that all responsive documents have been produced. In agreeing to the AWC, the Exchange has relied upon, among other things, the completeness of the document productions.

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.

April 16, 2020
Date

Citigroup Global Markets Inc.,
Respondent

By: Joshua E. Levine / JEL
Joshua E. Levine
Managing Director

Reviewed by:

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Christian Kemnitz, Esq.
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Counsel for Respondent

Accepted by NYSE Regulation

April 16, 2020

Date

Catherine Lifeso

Catherine Lifeso
Senior Enforcement Counsel
NYSE Regulation

Signed on behalf of NYSE American LLC,
by delegated authority from its Chief
Regulatory Officer