STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES

In the Matter of:	S-15-0075
Citigroup Global Markets Inc.	ORDER ASSESSING CIVIL PENALTY AND CONSENT TO ENTRY OF ORDER

WHEREAS, Citigroup Global Markets Inc. ("CGMI") is a broker-dealer licensed in Oregon, with a Central Registration Depository number of 7059; and

State securities regulators have conducted coordinated investigations into the licensing[1] of CGMI sales assistants and CGMI's supervisory system with respect to the licensing of same; and

CGMI has cooperated with regulators conducting the investigations by responding to inquiries, providing documentary evidence and other materials, and providing regulators with access to facts relating to the investigations; and

CGMI has advised regulators of its agreement to resolve the investigations pursuant to the terms specified in this Order Assessing Civil Penalty and Consent to Entry of Order (the "Order"); and

CGMI has made certain changes to relevant order entry systems, and to CGMI's supervisory system with respect to the same; and

CGMI agrees to make certain payments in accordance with the terms of this Order; and

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[1] With respect to securities professionals and the entities with which they are associated, the Oregon Securities Law uses the term "license" in the same manner other jurisdictions may use the term "registration". For the purposes of this Order, the two terms should be considered synonymous.

CGMI elects to waive permanently any right to a hearing and appeal under Oregon Revised Statutes ("ORS") 59.295, ORS 59.305, and ORS Chapter 183 with respect to this Order; and

CGMI admits the jurisdiction of the Director of the Oregon Department of Consumer and Business Services ("the Director") in this matter; and

Solely for the purpose of terminating the multi-state investigations, including the investigation by the Director, and in settlement of the issues contained in this Order, CGMI, without admitting or denying the findings of fact or conclusions of law contained in this Order, consents to the entry of this Order.

NOW, THEREFORE, the Director, as administrator of the Oregon Securities Law, ORS chapter 59, and Oregon Administrative Rules ("OAR") chapter 441, hereby enters this Order:

I. FINDINGS OF FACT

The Director FINDS that:

Relevant CGMI Business Units

1. CGMI is a licensed broker-dealer and wholly-owned subsidiary of Citigroup Inc. Prior to June 1, 2009, CGMI primarily operated its U.S.-based retail brokerage business through a business unit under the name Smith Barney. CGMI also operated, and continues to operate other businesses, including a retail brokerage currently operated under the name Citi Personal Wealth Management.

2. On June 1, 2009, Citigroup Inc. sold a majority stake in its primary retail brokerage business to Morgan Stanley & Co., Inc. ("Morgan Stanley"). Morgan Stanley combined that business and its own retail brokerage operations into a joint venture operated by a new broker dealer known as Morgan Stanley Smith Barney LLC ("MSSB").

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3. After the June 1, 2009 transaction, Citigroup Inc. retained control and ownership of the CGMI businesses that had not been sold to Morgan Stanley.

4. The multi-state investigations covered the period from January 1, 2007 through September 30, 2014 (the "Relevant Period"). The factual representations that follow relate to all or some portion of the Relevant Period.

Background on CGMI Personnel

5. CGMI's primary customer-facing retail broker-dealer salespersons were known as Financial Advisors ("FAs").

6. CGMI also employed sales assistants ("SAs") using various job titles. Sales assistants were generally tasked with assisting FAs and customers with administrative and operational support. Sales assistants were involved in such tasks as:

A. answering phones, taking messages, and responding to calls when appropriate;

B. giving clients market quotes;

C. typing correspondence for FAs within the parameters of CGMI guidelines;

D. maintaining files for FAs on clients and products;

E. providing follow-up with clients and operations staff; and

F. obtaining investment and product information for FAs.

7. Some sales assistants were licensed with CGMI (hereafter "RSAs"). RSAs are of particular significance to this Order because on occasion, they could accept unsolicited client orders from clients. Accordingly, RSAs were required to pass the series 7 and 63 and/or 66 qualification exams and to license in the appropriate jurisdictions.

8. During the Relevant Period, a policy relevant to this Order required RSAs to be licensed in every state that the FA(s) for whom they provided coverage were licensed.

9. During a portion of the Relevant Period (see paragraph 11, below), CGMI personnel used a computerized order entry system known as "NextGen" to enter orders on behalf of customers.

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10. The NextGen order entry process was intended to generally work as follows: NextGen automatically populated the order-entry screen with the logon ID of the person entering the order, the name of that person, and the date and time the order was entered. The person entering the order verified that she was the person who received the order at the time the order was entered by checking the box stating: "Check to confirm client receipt information." If the person entering the order was not the person who received the order, then the person entering the order entered the NextGen logon ID for the person who received the order into the "Received by ID/Name Box." The person entering the order was prompted to provide her password. At that point, a variety of validations were conducted including a check to ensure that the FA of record for the account was duly licensed in the applicable state(s). However, NextGen did not check to ensure that the person accepting the client order, if different from the FA assigned to the account, was licensed in the applicable state(s). Once the validation checks were completed, the order was either blocked or moved forward to the verification screen. If a trade was blocked due to a license gap, an error message appeared on the NextGen screen stating: "FC REGISTRATION VIOLATION-CALL YOUR REG REPRESENTATIVE." If the trade was not blocked, the person entering the trade was prompted to verify and submit the order. Upon submission, the order entry process was complete, and the order was sent to the market for execution.

11. CGMI ceased using NextGen, and implemented a new order entry system during the fourth quarter of 2010 and first quarter of 2011, as part of a conversion to a new clearing firm relationship with Pershing.

12. As of January 1, 2009, CGMI employed approximately 3,500 RSAs on a nationwide basis. In June 2009, CGMI sold a majority stake in its primary retail brokerage business to Morgan Stanley. In connection with the MSSB transaction, the retail brokerage business sales force at CGMI was reduced by approximately 95 percent.

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The vast majority of the RSAs were contributed to the MSSB joint venture. As of the date of this order, CGMI currently employs fewer than 100 RSAs nationwide.

Licensing Required

13. Pursuant to ORS 59.165(1), it is unlawful for any person to transact business in Oregon as a securities salesperson unless the person is licensed under the Oregon Securities Law.

14. Pursuant to the general prohibition under ORS 59.165(1), a person cannot accept unsolicited orders in Oregon without a salesperson license in Oregon.

15. Pursuant to ORS 59.165(3), a broker-dealer may be sanctioned for selling securities in Oregon through salespersons other than salespersons licensed in Oregon.

Regulatory Investigations and Findings

16. State securities regulators have initiated investigations into the practices of CGMI and other firms in connection with SA licenses.

17. The multi-state investigations focused on whether SAs were properly licensed in the relevant jurisdictions at the time such individuals may have accepted customer orders from those states. In addition, the investigations focused on whether the firms' supervisory systems properly supervised such orders.

18. In CGMI's case, the investigation found that, in certain instances, SAs accepted unsolicited orders from clients residing in states where the SA was not licensed. In addition, the investigations found that NextGen did not record the identity of the person receiving the order from the customer for a discreet set of orders that were reviewed.

19. Furthermore, the investigation determined that (a) contrary to applicable policies and procedures RSAs were not licensed in every state that the FAs for whom they provided coverage were licensed, and as a result, (b) it is highly likely that certain RSAs accepted unsolicited orders in Oregon at times when the RSAs were not

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appropriately licensed in Oregon.

Remedial Efforts

20. As part of a transition that was finalized in early 2011, CGMI's retail business ceased using the NextGen system and started to use in its place an order entry system licensed and operated by Pershing called NetX360.

21. Orders entered into NetX360 are routed through Pershing's Rules Engine, which has certain checks relating to state license status, including the license status of the acceptor.

22. Additionally, quarterly review meetings in which RSAs are involved include a review of the Firm's state license policy and the prohibition against accepting orders in states in which the RSA is not licensed.

23. CGMI provided timely responses and substantial cooperation in connection with the regulatory investigations into this issue.

II. CONCLUSIONS OF LAW

The Director CONCLUDES that:

24. The Director has jurisdiction over this matter pursuant to ORS 59.235 and ORS 59.245.

25. CGMI failed to establish an adequate system to monitor the license status of persons accepting client orders, which constitutes failure to establish, maintain, and enforce reasonably designed supervisory procedures, in violation of OAR 441-205-0210(3).

26. CGMI's failure to ensure its RSAs were licensed in the appropriate jurisdictions constitutes a failure to enforce its established written procedures, and is a basis for the issuance of an Order assessing a civil penalty against CGMI.

27. Pursuant to ORS 59.165(3), CGMI's acceptance of orders in Oregon through

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SAs who were not properly licensed in Oregon constitutes violations of ORS 59.165(3), by employing unlicensed salespersons in Oregon.

28. Pursuant to ORS 59.995(1), the violations described above constitute bases for the assessment of a civil penalty against CGMI.

29. The Director finds the following relief appropriate and in the public interest.

III. UNDERTAKINGS

30. CGMI hereby undertakes and agrees to establish and maintain policies, procedures and systems that reasonably supervise the trade process so that a SA can only accept client orders that originate from jurisdictions where the SA accepting the order is appropriately licensed.

IV. ORDER

On the basis of the Findings of Facts, Conclusions of Law, and CGMI's consent to the entry of this Order,

IT IS HEREBY ORDERED:

31. This Order concludes the investigation by the Director and any other action that the Director could commence against CGMI under applicable Oregon law as it relates to: (a) RSAs who accepted client orders while not licensed in the appropriate jurisdiction; and (b) CGMI's supervision of state licenses for RSAs during the period from January 1, 2007 through September 30, 2014.

32. This Order is entered into solely for the purpose of resolving the referenced multi-state investigation, and is not intended to be used for any other purpose. For any person or entity not a party to the Order, this Order does not limit or create any private rights or remedies against CGMI, limit or create liability of CGMI, or limit or create defenses of CGMI, to any claims.

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33. CGMI shall pay the sum of $35,000 (thirty-five thousand dollars) to the Dept. of Consumer & Business Services ("DCBS") within ten days of the date of this Order. Pursuant to ORS 59.995(1), $33,250 (thirty-three thousand two hundred fifty dollars) of the sum will be allocated as a civil penalty for the General Fund of the Oregon State Treasury, and $1,750 (one thousand seven hundred fifty dollars) will be allocated for the DCBS Consumer Financial Education Account.

34. CGMI is hereby ordered to comply with the Undertakings contained herein.

35. This Order is not intended by the Director to subject any Covered Person to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands, or under the rules or regulations of any securities or commodities regulator or self-regulatory organizations, including, without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions. "Covered Person," means CGMI or any of its affiliates and their current or former officers or former officers, directors, employees, or other persons that would otherwise be disqualified as a result of the Orders (as defined below).

36. This Order and the order of any other State in any proceeding related to CGMI's agreement to resolve the above-referenced multi-state investigation (collectively, the "Orders") shall not disqualify any Covered Person from any business that they otherwise are qualified, licensed or permitted to perform under applicable securities laws of Oregon and any disqualifications from relying upon this state's registration exemptions or safe harbor provisions that arise from the Orders are hereby waived.

37. This Order shall be binding upon CGMI and its successors and assigns as well as to successors and assigns of relevant affiliates with respect to all conduct subject to the

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provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

Dated this 17th day of September, 2015.

PATRICK M. ALLEN, Director
Department of Consumer and Business Services

/*s*/ David Tatman
David C. Tatman, Administrator
Division of Finance and Corporate Securities

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CONSENT TO ENTRY OF ORDER BY CGMI

Citigroup Global Markets Inc. ("CGMI") hereby acknowledges that it has been served with a copy of this Order Assessing Civil Penalty and Consent to Entry of Order ("Order"), has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

CGMI admits the jurisdiction of the Director, neither admits nor denies the Findings of Facts and Conclusions of Law contained in this Order, and consents to entry of this Order by the Director as settlement of the issues contained in this Order.

CGMI agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any administrative monetary penalty that CGMI shall pay pursuant to this Order.

CGMI states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order other than that which might be contained in this Order and that it has entered into this Order voluntarily.

Joshua E. Levine represents that s/he is Managing Director of CGMI and that, as such, has been authorized by CGMI to enter into this Order for and on behalf of CGMI.

Citigroup Global Markets Inc.

By: /s/ Joshua E. Levine

Title: Managing Director

SUBSCRIBED AND SWORN TO before me 3rd day of September, 2015.

[Affix seal]

Rodd Corner
Notary Public in and for the
State of: New York
My Commission expires:

6/18/2019

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