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UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of: **Citigroup Global Markets Inc.,** **Respondent.**	**CFTC Docket No. 25-02**

ORDER INSTITUTING PROCEEDINGS PURSUANT TO SECTION 6(c) AND (d) OF THE COMMODITY EXCHANGE ACT, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS

I. INTRODUCTION

The Commodity Futures Trading Commission ("Commission") has reason to believe that from at least 2015 through 2023 ("Relevant Period"), Citigroup Global Markets Inc. ("Citi" or "Respondent") violated Section 4g(a) of the Commodity Exchange Act (the "Act"), 7 U.S.C. § 6g(a), and Commission Regulations ("Regulations") 1.31(c), 17.00(a)(1), and 166.3, 17 C.F.R. §§ 1.31(c), 17.00(a)(1), 166.3. Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondent engaged in the violations set forth herein and to determine whether any order should be issued imposing remedial sanctions.

In anticipation of the institution of an administrative proceeding, Respondent has submitted an Offer of Settlement ("Offer") that the Commission has determined to accept. Without admitting or denying any of the findings or conclusions herein, Respondent consents to the entry of this Order Instituting Proceedings Pursuant to Section 6(c) and (d) of the Commodity Exchange Act ("Act"), Making Findings, and Imposing Remedial Sanctions ("Order"), and acknowledges service of this Order.[1]

[1] Respondent consents to the use of the findings of fact and conclusions of law in this Order in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party or claimant and agrees that they shall be taken as true and correct and given preclusive effect therein, without further proof. Respondent does not consent, however, to the use of this Order, or the findings or conclusions herein, as the sole basis for any other proceeding brought by the Commission or to which the Commission is a party or claimant, other than: a proceeding in bankruptcy or receivership; or a proceeding to enforce the terms of this Order. Respondent does not consent to the use of the Offer or this Order, or the findings or conclusions in this Order, by any other party in any other proceeding.

II. FINDINGS

The Commission finds the following:

A. SUMMARY

From at least 2015 to May 2023, certain Citi actions violated the Act and the Regulations. Specifically, Citi failed to file accurate large trader reports, in violation of Section 4g(a) of the Act, 7 U.S.C. § 6g(a), and Regulation 17.00(a)(1), 17 C.F.R. § 17.00(a)(1), during almost this entire period. Citi also failed to maintain reliable regulatory records regarding a ten-week period in 2023, in violation of Regulation 1.31(c), 17 C.F.R. § 1.31(c). Based on these failures, as well as 2022 supervision-related issues concerning Citi's daily excess net capital reporting, Citi did not sufficiently supervise its business as a Commission registrant, in violation of Regulation 166.3, 17 C.F.R. § 166.3.

In accepting Citi's Offer, the Commission recognizes Citi's exemplary self-reports and exemplary cooperation. The Commission's recognition is reflected in a reduced penalty, with Citi receiving the maximum mitigation credit toward the full monetary penalty appropriate for these violations.

B. RESPONDENT

Citigroup Global Markets Inc. is a company with its principal place of business in New York City. Citigroup Global Markets Inc. is registered with the Commission as a Futures Commission Merchant ("FCM") and as a swap dealer.

C. FACTS

1. Due to a System Design Error, Citi Filed Inaccurate Large Trader Reports.

FCMs are required to submit large trader reports for each business day with respect to accounts with reportable trading positions. The report must show "each futures position, separately for each reporting market and each future." 17 C.F.R. § 17.00(a)(1). Regulation § 17.00(b), 17 C.F.R. § 17.00(b), establishes rules for reporting with respect to multiple accounts under common control or ownership. Regulation § 17.00(d), 17 C.F.R. § 17.00(d), requires FCMs to report net long or short position in each futures contract, except in certain enumerated cases.

From at least 2015 to the fall of 2022, the system Citi used to generate its large trader reports was affected by a programming logic error that caused netting issues with regard to accounts under common control or ownership. Citi did not identify this issue until September 2022, and, as a result, on over 1000 business days, Citi submitted inaccurate large trader reports to the Commission until Citi completed remediation of the issue in November 2022.[2]

[2] Citi paid a total of approximately $2.6 million in combined penalties to CME, ICE Futures US, and ICE Europe in connection with this programming logic issue.

2. Due to Systems Failure, Citi Failed to Maintain Reliable Regulatory Records.

On March 13, 2023, the system that Citi used to record certain futures transactions, which Citi licensed from a third-party vendor, reached its maximum capacity largely as a result of an excessive volume of orders submitted by one client. The system's auto-expander feature, which was designed and tested to facilitate excessive volume, failed to deploy. When the issue was resolved later that day, Citi learned that certain data had been corrupted. As a result, for a period of approximately ten weeks, Citi failed to maintain reliable regulatory records as required under Regulation § 1.31(c), 17 C.F.R. § 1.31(c).[3] Additionally, as a result of this systems failure, Citi failed to submit accurate large trader reports for approximately 50 business days. Citi maintained adequate regulatory net capital and residual interest in its segregated accounts throughout this period.

3. Citi Failed to Establish and Maintain an Adequate Supervisory System.

In aggregate, Citi failed to maintain an adequate supervisory system, including by failing to have controls or processes to identify and prevent a programming logic error that led to incorrect large trader reporting, and, with regard to the March 13 incident, by failing to have a data corruption recovery process and the ability to rebuild transaction files expediently. In addition to these failures, in November 2022, three former Citi employees became aware that Citi's daily excess net capital had decreased to a level that required Citi to make a regulatory notification to the Commission, notwithstanding that Citi remained adequately capitalized at all times.[4] Rather than make the notification, these employees took steps to conceal the fact that the notification was required and, as a result, Citi failed to notify the Commission as required. Although these employees took steps to conceal their conduct from Citi, Citi's lack of adequate supervisory controls was a contributing factor to the lack of notification to the Commission.

4. Citi's Exemplary Self-Reporting and Cooperation.

Citi notified the Commission of the potential violations, provided all material information reasonably related to the potential violations known to it at the time of the self-reports, and provided additional information that assisted the Division of Enforcement with conserving resources in its investigation. Specifically, with respect to the programming logic error that impacted it large trader reporting, in September 2022, very shortly after it learned of the issue's existence, Citi self-reported the violation to the Division of Clearing and Risk and provided updated information as it discovered additional facts. With respect to the March 13, 2023 data corruption incident, Citi notified the Market Participants Division shortly after discovering that its customer-trade-booking data was corrupted. With respect to certain employees' concealment of the regulatory reporting event described above, Citi provided a thorough accounting of the incident to Division of Enforcement staff after completing an internal investigation into the issue. With regard to these issues, Citi's self-reporting provided material information that assisted the staff's investigation.

[3] Citi paid a $280,000 fine to CME in connection with this issue.

[4] Excess net capital is the amount of capital in excess of the regulatory required amount.

With regard to all the issues referenced above, Citi has significantly completed its remediation. Citi promptly corrected the programing logic error that affected its large trader reports. With respect to the data corruption incident, Citi devoted substantial resources to a data corruption recovery process, including systems recovery as well as manual actions to resolve position and cash breaks. Citi also increased the storage capacity of its product processor for futures transactions, enhanced the daily monitoring of that system, formalized a data corruption recovery process, and devoted significant resources to a pre-existing project to replace its current system with an upgraded product processor. Citi remediated the regulatory-reporting notification issue by taking appropriate disciplinary actions, including by terminating the one employee that was still active at the time the internal investigation concluded, and is further enhancing relevant supervisory controls. Furthermore, Citi provided substantial assistance to the Division of Enforcement throughout its investigation of these issues, including by providing numerous substantive presentations to Division staff, saving significant Division resources.

III. LEGAL DISCUSSION

A. Respondent Violated Section 4g(a) of the Act and Regulation 17.00(a)(1) by Submitting Inaccurate Large Trader Reports.

Section 4g(a) of the Act requires FCMs to provide large trader reports to the Commission and provides, in pertinent part:

> Every person registered ... as a futures commission merchant ... shall make such reports as are required by the Commission regarding the transactions and positions of such person, and the transactions and positions of the customer thereof, in commodities for future delivery on any board of trade in the United States or elsewhere, and in any significant price discovery contract traded or executed on an electronic trading facility or any agreement, contract, or transaction that is treated by a derivatives clearing organization, whether registered or not registered, as fungible with a significant price discovery contract. ...

7 U.S.C. § 6g(a). Reports made to the Commission pursuant to Section 4g(a) must be accurate. *See In re Bielfeldt*, CFTC No. 96-1, 1999 WL 68636, at *8 (Feb. 12, 1999).

Promulgated under the authority conferred by Section 4g(a) of the Act, Regulation 17.00(a)(1) requires each FCM to submit a daily report to the Commission for all "special accounts" carried by the FCM. 17 C.F.R. § 17.00(a)(l). In doing so, Regulation 17.00(d) requires FCMs, except in certain enumerated cases, to report a client's "net" long or short position in each futures contract. 17 C.F.R. § 17.00(d).

Due to a programming logic issue that affected Citi's ability to properly net its customers' positions, Citi reported inaccurate large trader reports to the Commission for a period of years. Additionally, due to failure of a system Citi licensed from a third-party vendor, Citi submitted inaccurate large trader reports for a period of ten weeks in 2023. Thus, Citi violated Section 4g(a) of the Act and Regulation 17.00(a)(1).

B. Respondent Failed to Maintain Reliable Regulatory Records in Violation of Regulation 1.31(c).

Regulation 1.31(c), 17 C.F.R. § 1.31(c), requires that registrants keep all books and records that are required to be maintained under the Act and Regulations in such manner as to ensure their authenticity and reliability. As a result of a data corruption issue resulting from the failure of a system that Citi licensed from a third-party vendor, Citi was unable to maintain reliable books and records with regard to certain customer transactions for a period of approximately ten weeks in 2023. Thus, Citi violated Regulation 1.31(c).

C. Respondent Failed to Create an Adequate Supervisory System in Violation of Regulation 166.3.

Regulation 166.3, 17 C.F.R. § 166.3 (2023), imposes on every Commission registrant (except associated persons who have no supervisory duties) an affirmative duty to "diligently supervise the handling by its partners, officers, employees and agents [. . .] of all commodity interest accounts carried, operated, advised or introduced by the registrant and all other activities of its partners, officers, employees and agents [. . .] relating to its business as a Commission registrant."

For a registrant to fulfill its duties under Regulation 166.3, it must both design an adequate program of supervision and ensure that the program is followed. *See In re GNP Commodities, Inc.*, CFTC No. 89-1 1992 WL 201158, at *17-19 (Aug. 11, 1992) (providing that, even if an adequate supervisory system is in place, Regulation 166.3 can still be violated if the supervisory system is not diligently administered). As a result, a violation of Regulation 166.3 "is demonstrated by showing either that: (1) the registrant's supervisory system was generally inadequate; or (2) the registrant failed to perform its supervisory duties diligently." *In re FCStone, LLC*, CFTC No. 15-21, 2015 WL 2066891, at *3 (May 1, 2015) (consent order) (citing *In re Murlas Commodities, Inc.*, CFTC No. 85-29, 1995 WL 523563, at *9 (Sept. 1, 1995)).

As set forth above, Respondent violated Rule 166.3 by failing to have adequate supervisory controls to detect and prevent the regulatory reporting and recordkeeping issues described above.

IV. FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that, during the Relevant Period, Respondent violated Section 4g(a) of the Act, 7 U.S.C. § 6g(a), and Regulations 1.31(c), 17.00(a)(1), and 166.3, 17 C.F.R. §§ 1.31(c), 17.00(a)(1), 166.3.

V. OFFER OF SETTLEMENT

Respondent has submitted the Offer in which it knowingly and voluntarily, without admitting or denying the findings and conclusions herein:

A. Consents to the resolution of this matter in an administrative proceeding;

B. Acknowledges service of this Order;

C. Admits the jurisdiction of the Commission with respect to all matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on violation of or enforcement of this Order;

D. Waives:

1. The filing and service of a complaint and notice of hearing;

2. A hearing;

3. All post-hearing procedures;

4. Any and all rights or defenses Respondent has or might have for the matter to be adjudicated in a federal district court in the first instance, including any associated right to a jury trial;

5. Judicial review by any court;

6. Any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offer;

7. Any and all claims that Respondent may possess under the Equal Access to Justice Act, 5 U.S.C. § 504, and 28 U.S.C. § 2412, and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. pt. 148 (2025), relating to, or arising from, this proceeding;

8. Any and all claims that Respondent may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, tit. II, §§ 201–253, 110 Stat. 847, 857–74 (codified as amended at 28 U.S.C. § 2412 and in scattered sections of 5 U.S.C. and 15 U.S.C.), relating to, or arising from, this proceeding; and

9. Any claims of Double Jeopardy based on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief, including this Order;

E. Agrees that Respondent is not the prevailing party in this action for purposes of the waiver of any and all rights under the Equal Access to Justice Act specified in Paragraph D.7. above;

F. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondent has consented in the Offer; and

G. Consents, solely on the basis of the Offer, to the Commission's entry of this Order that:

1. Makes findings by the Commission that Respondent violated Regulations 1.31(c), 17.00(a)(1), and 166.3, 17 C.F.R. §§ 1.31(c), 17.00(a)(1), 166.3;

2. Orders Respondent to cease and desist from violating Regulations 1.31(c), 17.00(a)(1), and 166.3, 17 C.F.R. §§ 1.31(c), 17.00(a)(1), 166.3;

3. Orders Respondent to pay a civil monetary penalty in the amount of one million five hundred thousand dollars ($1,500,000), plus post-judgment interest; and

4. Orders Respondent and its successors and assigns to comply with the conditions and undertakings consented to in the Offer and as set forth in Part VI of this Order.

Upon consideration, the Commission has determined to accept the Offer.

VI. ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

A. Respondent and its successors and assigns shall cease and desist from violating Section 4g(a) of the Act, 7 U.S.C. § 6g(a), and Regulations 1.31(c), 17.00(a)(1), and 166.3, 17 C.F.R. §§ 1.31(c), 17.00(a)(1), 166.3.

B. Respondent shall pay a civil monetary penalty in the amount of one million five hundred thousand dollars ($1,500,000) ("CMP Obligation"), within fourteen (14) days of the date of the entry of this Order. If the CMP Obligation is not paid in full within fourteen (14) days of the date of entry of this Order, then post-judgment interest shall accrue on the unpaid portion of the CMP Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961.

Respondent shall pay the CMP Obligation and any post-judgment interest by electronic funds transfer, U.S. postal money order, certified check, bank cashier's check, or bank money order. If payment is to be made other than by electronic funds transfer, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

MMAC/ESC/AMK326
Commodity Futures Trading Commission
6500 S. MacArthur Blvd.
HQ Room 266
Oklahoma City, OK 73169
9-amz-ar-cftc@faa.gov

If payment is to be made by electronic funds transfer, Respondent shall contact the Federal Aviation Administration at the above email address to receive payment instructions and shall fully comply with those instructions. Respondent shall accompany payment of the CMP Obligation with a cover letter that identifies the paying Respondent and the name and docket number of this proceeding. The paying Respondent shall simultaneously transmit copies of the cover letter and the form of payment to the Chief

Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

C. Respondent and its successors and assigns shall comply with the following conditions and undertakings set forth in the Offer:

1. Public Statements: Respondent agrees that neither it nor any of its successors and assigns, agents or employees under its authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order or creating or tending to create the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect Respondent's: (i) testimonial obligations, or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Respondent and its successors and assigns shall comply with this agreement, and shall undertake all steps necessary to ensure that all of its agents and/or employees under its authority or control understand and comply with this agreement.

2. Partial Satisfaction: Respondent understands and agrees that any acceptance by the Commission of any partial payment of Respondent's CMP Obligation shall not be deemed a waiver of its obligation to make further payments pursuant to the Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.

3. Change of Address/Phone: Until such time as Respondent satisfies in full its CMP Obligation as set forth in this Order, Respondent shall provide written notice to the Commission by certified mail of any change to its telephone number and mailing address within ten calendar days of the change.

4. Notice to Creditors: Until such time as Respondent satisfies in full its CMP Obligation, upon the commencement by or against Respondent of insolvency, receivership or bankruptcy proceedings or any other proceedings for the settlement of Respondent's debts, all notices to creditors required to be furnished to the Commission under Title 11 of the United States Code or other applicable law with respect to such insolvency, receivership bankruptcy or other proceedings, shall be sent to the address below:

Secretary of the Commission
Office of the General Counsels
Commodity Futures Trading Commission
Three Lafayette Centre 1155 21st Street N.W.
Washington, D.C. 20581

The provisions of this Order shall be effective as of this date.

By the Commission.

Robert N. Sidman
Deputy Secretary of the Commission
Commodity Futures Trading Commission

Dated: September 4, 2025