ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF SOUTH CAROLINA

IN THE MATTER OF:	)	
	)	**ADMINISTRATIVE CONSENT ORDER**
Citigroup Global Markets, Inc.	)	
	)	**File No. 14027**
	)	
	)	
Respondents.	)	

WHEREAS, Citigroup Global Markets Inc. ("CGMI") is a broker-dealer registered in the State of South Carolina, with a Central Registration Depository ("CRD") number of 7059; and state securities regulators have conducted coordinated investigations into the registrations of CGMI sales assistants and CGMI's supervisory system with respect to the registration of the 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 Administrative Consent Order (the "Order"); and

CGMI has made certain changes to its 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

CGMI elects to waive permanently any right to a hearing and appeal under S.C. Code Ann. § 35-1-604 with respect to this Order; and

CGMI admits the jurisdiction of the Securities Commissioner of the State of South Carolina (the "Commissioner") in this matter pursuant to S.C. Code Ann. § 35-1-601(a) ; and

Solely for the purpose of terminating the multi-state investigations, including the investigation by the South Carolina Securities Division (the "Division"), 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 Commissioner, as Administrator of the South Carolina Uniform Securities Act of 2005 (the "Act"), hereby enters this Order:

I.

FINDINGS OF FACTS

Relevant CGMI Business Units

1. CGMI is a registered broker-dealer and wholly-owned subsidiary of Citigroup Inc. Prior to June 1, 2009, CGMI primarily operated its U.S.-based retail brokerage business unit under the name Smith Barney. CGMI also operated, and continues to operate other businesses, including another 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").

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 into CGMI 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 agents 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 registered with CMGI (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 register in the appropriate jurisdictions.

8. During the Relevant Period, a policy relevant to this Order stated, "Registered Sales Assistants need to be registered in every state that the FA(s) for whom they provide coverage is registered."

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.

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 CGMI employee entering the order, the name of that employee, and the date and time the order was entered. The employee entering the order verified that she was the employee who received the order at the time the order was entered by checking the box stating: "Check to confirm client receipt information." If the employee entering the order was not the employee who received the order, then the employee entering the order entered the NextGen logon ID for the employee who received the order into the "Received by ID/Name Box." The employee 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 registered in the applicable state(s). However, NextGen did not check to ensure that the employee accepting the client order, if different from the FA assigned to the account, was registered 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 registration gap, an error message appeared on the NextGen screen stating: "FC REGISTRATION VIOLATION-CALL YOUR REG REPRESENTATIVE." If the trade was not blocked, the employee 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. 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.

Registration Required

13. Pursuant to S.C. Code Ann. § 35-1-402(a) (Supp. 2012), it is unlawful for a person to transact business in South Carolina as an agent unless the individual is properly registered or subject to an exemption.

14. Pursuant to the general prohibition under S.C. Code Ann. § 35-1-402(a) (Supp. 2012), a person cannot accept unsolicited orders in the State of South Carolina without being registered in the State of South Carolina.

15. Pursuant to S.C. Code Ann. § 35-1-402(d), it is unlawful for a broker-dealer engaged in offering, selling, or purchasing securities in this State, to employ or associate with an agent who transacts business in this State on behalf of broker-dealers or issuers unless the agent is registered or exempt from registration.

Regulatory Investigations and Findings

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

17. The multi-state investigations focused on whether SAs were properly registered 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 SAs were not registered. In addition, the investigations found that NextGen did not record the identity of the person receiving the order from the customer for a discrete set of orders that were reviewed.

19. Furthermore, the investigation determined that (a) contrary to applicable policies and procedures, RSAs were not registered in every state that the FAs for whom they provided

coverage were registered, and as a result, (b) it is highly likely that certain RSAs accepted unsolicited orders in the State of South Carolina at times when the RSAs were not appropriately licensed in the State.

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 registration status, including the registration status of the acceptor.

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

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

II.
CONCLUSIONS OF LAW

24. The Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a)

25. CGMI's failure to establish an adequate system to monitor the registration status of persons accepting client orders constitutes a violation of S.C. Code Ann. § 35-1-412(d)(9).

26. CGMI's failure to ensure its registered Sales Assistants were registered in the appropriate jurisdictions constitutes a failure to enforce its established written procedures, and is a basis for the issuance of an Order with sanctions against CGMI.

27. CGMI's acceptance of orders in the State of South Carolina through SAs who were not properly registered in the State constitutes a violation of S.C. Code Ann. § 35-1-402(d) for the use of unregistered agents in the State.

28. Pursuant to S.C. Code Ann. § 35-1-604(d), the violations described above constitute bases for the assessment of an administrative fine against CGMI.

29. The Commissioner 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 registered.

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:

1. This Order concludes the investigation by the Division and any other action that the Division could commence against CGMI under applicable South Carolina state law as it relates to (a) RSAs who accepted client orders while not registered in the appropriate jurisdiction during the Relevant Period, and (b) CGMI's supervision of state registrations for RSAs during the Relevant Period.

2. 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.

3. CGMI shall pay the sum of thirty-five thousand dollars ($35,000) to the Division within ten days of the date of execution of this Order. The monies received by the Division pursuant to this paragraph may be used, in accordance with South Carolina law, to reimburse the Division for costs incurred during the investigation of this matter, for securities and investor education, and/or for other securities and investor protection purposes, at the sole discretion of the Commissioner.

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

5. This order is not intended by the Division 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, directors, employees, or other persons that would otherwise be disqualified as a result of the Orders (as defined below).

6. 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 conduct under applicable securities laws of the State of South Carolina and any disqualifications from relying upon this state's registration exemptions or safe harbor provisions that arise from the Orders are hereby waived.

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

Dated this 13th day of July, 2015.

BY ORDER OF THE SECURITIES COMMISSIONER
OF THE STATE OF SOUTH CAROLINA

By: Alan Wilson

Alan Wilson
Securities Commissioner
State of South Carolina
Post Office Box 11549
Columbia, SC 29211
(803) 734-4731

CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY CGMI

Citigroup Global Markets, Inc. ("CGMI") hereby acknowledges that it has been served with a copy of this Administrative Consent 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 South Carolina Securities Division, 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 Commissioner 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.

Dated this 9th day of July, 2015.

Citigroup Global Markets, Inc.

By: _____

Title: Managing Director

SUBSCRIBED AND SWORN TO before me this 9 day of July, 2015.

[Affix seal]

_____

Notary Public in and for the
State of New York

My Commission expires:

6/18/2019

RODD CORNER
Notary Public - State of New York
No. 01CO6169041
Qualified in New York County
My Commission Expires June 18, 2019