



Financial Industry Regulatory Authority

Legal Section
Market Regulation Department

By: Certified Mail, Return Receipt Requested and Email andrea.shafer@citi.com

December 21, 2016

Citi Order Routing and Execution, LLC
(f/k/a Automated Trading Desk Financial Services, LLC)
Ms. Andrea Shafer
Chief Compliance Officer
11 eWall Street
Mt. Pleasant, SC 29464

**RE: Payment of Fine in Connection with Executed Letter of Consent
FINRA Matter No. 20140418701-04**

Dear Ms. Shafer:

Enclosed is an executed copy of the Letter of Consent ("LOC"), signed by Charles Mogilevsky, Managing Director of Citigroup, Inc. on behalf of Automated Trading Desk Financial Services, LLC ("ATDF" or the "Firm"), and countersigned by Edward Deitzel, Executive Vice President and Chief Regulatory Officer, for the Business Conduct Committee, at the Miami International Securities Exchange, LLC ("MIAX" or the "Exchange") on **December 13, 2016**.

Please consider this correspondence as notice to the Firm that this LOC has been accepted, and as a result, the Firm must promptly remit payment of the agreed upon sanction. Please make the payment to Miami International Securities Exchange, LLC.

The payment should be sent to the below address if payment is by check:

MIAX Options
Attn: Tia Toms
7 Roszel Road, Suite 5A
Princeton, NJ 08540
Reference Number: Matter No. 20140418701

Ms. Andrea Shafer
Chief Compliance Officer
Citi Order Routing and Execution, LLC
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If payment is by wire, wiring instructions are as follows:

Pursuant to MIA X Rule 1011, after seven calendar days' notice in writing, the Exchange may summarily suspend a Member that fails to pay promptly a fine when such fine becomes finally due and payable.

If you have any questions, please do not hesitate to contact the undersigned at (646) 430-7034 or Jacqueline Gorham, Senior Counsel, at (646) 430-7044.

Sincerely,



Enclosure

cc: Larry O'Leary, VP Regulation, Miami International Securities Exchange, LLC
(Via email to lolarity@miami-holdings.com)

Robert A. Buhlman, Partner, Sidley Austin LLC, Counsel for Respondent
(Via email rbuhlman@sidley.com)

This letter is issued on behalf of the Miami International Securities Exchange, LLC, by FINRA Market Regulation pursuant to a grant of authority to FINRA. Accordingly, this constitutes a letter by the Miami International Securities Exchange, LLC

MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC
LETTER OF CONSENT
NO. 20140418701-04

TO: Miami International Securities Exchange, LLC
c/o Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Automated Trading Desk Financial Services, LLC, Respondent
(n/k/a Citi Order Routing and Execution, LLC)
Broker-Dealer
CRD No. 103768

Pursuant to Rule 1003 of the Rules of the Miami International Securities Exchange, LLC ("MIAX"), Automated Trading Desk Financial Services, LLC (the "firm"),¹ submits this Letter of Consent ("LOC") for the purpose of proposing a settlement of the alleged rule violations described below. This LOC is submitted on the condition that, if accepted, MIAX will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I

ACCEPTANCE AND CONSENT

- A. The firm 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 MIAX, or to which MIAX 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 MIAX:

BACKGROUND

The firm became a member of MIAX on December 7, 2012, and a member of FINRA on June 22, 2000, and its registrations remain in effect. The firm does not have a relevant disciplinary history.

SUMMARY

1. In connection with this matter, the Options Regulation staff of FINRA's Department of Market Regulation, on behalf of MIAX, conducted a review of ATDF's order entry activities in its capacity as an Options Member during the period December 7, 2012 through May 2014 (the "Review Period") for compliance with MIAX rules and policies governing the use of origin codes.
2. Applicable MIAX rules and policies require that when accepting an order, an Options Member must obtain and record an appropriate account type or origin code in each order record and as an order detail when entering orders into the Exchange's systems to indicate the kind of account for which the order will be

¹ As of October 17, 2016, the name of this Firm changed to Citi Order Routing and Execution, LLC.

executed and cleared. Each options market has its own origin codes, but at a minimum, all have codes to indicate that an order is being executed for a customer, a firm, or a market maker. Origin codes are important because, among other things, they may impact the priority of execution, and they affect the accuracy of the Options Member's order records and the Exchange's audit trail. In addition, origin codes must be accurate as part of ensuring that trades are reported to The Options Clearing Corporation ("OCC") with accurate trade details.

3. As a result of the Options Regulation staff's investigation, and as a result of violations self-reported to the staff by ATDF, it was concluded that during the Review Period, as set forth below, ATDF improperly marked certain options orders in violation of MIA X Rules 300, 301, 500(b)(iii), 513, 514(d)(1), and 800(a), and Section 17(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 17a-3(a)(6)(i) thereunder. Specifically, the firm improperly marked numerous options orders with the incorrect origin code of "Customer" rather than "Professional Customer"¹ and sent those orders to MIA X through various order entry systems employed by the firm, resulting in the following: (i) an inaccurate audit trail and inaccurate order records; (ii) trades being reported to OCC with inaccurate trade details; (iii) potential adverse impact to the execution price and quantity of other market participants' orders; and (iv) a potential impact on the Exchange's ability to surveil for and detect potential violations of its rules and of federal securities laws. Additionally, ATDF had supervisory deficiencies related to the marking of options orders with the correct origin codes.

FACTS AND VIOLATIVE CONDUCT

4. Pursuant to MIA X Rule 800(a), Audit Trail, an Options Member must submit certain order information in a form prescribed by MIA X.
5. During the Review Period, ATDF executed numerous transactions with incorrect origin codes across multiple markets, including MIA X. ATDF's execution of orders with incorrect origin codes resulted from a number of different issues as follows: (i) the firm's failure to populate the "Professional Customer" origin code for two exchanges in its internal origin code routing table that caused orders to be routed with the "Customer" origin code; (ii) a failure to conduct proper testing and put into place appropriate production settings for three routing customers of the firm that caused orders to be sent to ATDF with a non-standard format and therefore the "Professional Customer" origin codes were not applied on child orders, which were routed as a "Customer" orders; and (iii) the firm's failure to properly activate a configuration inserted in the origin code table for one

¹ The term "Professional Customer" means a person or entity that is not a broker or dealer in securities, but places more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s). To comply with exchange requirements, exchange members are required to review their customers' activity on at least a quarterly basis to determine whether orders that are not for the account of a broker or dealer should be represented as Professional Orders. Orders for any customer that had an average of more than 390 orders per day during any month of a calendar quarter must be represented as Professional Orders for the next calendar quarter.

exchange when the exchange went live with the "Professional Customer" code, and thus "Professional Customer" orders routed to the exchange were defaulted to a "Customer" origin code.

6. As a result of the above errors, beginning in February 2012 to the end of the Review Period, ATDF erroneously marked approximately 31,483 "Professional Customer" options contracts with the inaccurate origin code of "Customer" across multiple options exchanges, of which 3,505 were executed on MIAX during the Review Period.
7. Each instance in which ATDF executed a "Professional Customer" order with the incorrect origin code of "Customer" could have had adverse consequences, such as creating inaccurate order records, creating an inaccurate audit trail, inadvertently impacting the priority of order execution, reporting trades to OCC with inaccurate trade details, and potentially impacting the Exchange's ability to surveil for and detect potential violations of its rules and of federal securities laws.
8. By marking orders with the wrong origin code, ATDF violated the following rules:
 - a. Section 17(a)(1) of the Exchange Act and Rule 17a-3(a)(6)(i) thereunder requiring Options Members to make and maintain a memorandum of each order, and any other instruction, that contains the complete terms and conditions of the order;
 - b. MIAX Rule 300 requiring that Options Members refrain from engaging in conduct in violation of the Exchange Act and Rules thereunder, MIAX Rules, and OCC Rules as they relate to reporting or clearing options transactions;
 - c. MIAX Rule 513, which requires an Options Member to ensure transactions comply with the member's obligations under MIAX and OCC rules and any other relevant laws, rules, interpretations and obligations as it relates to the reporting or clearing any MIAX transaction;
 - d. MIAX Rule 300(a) requiring that Options Members make and keep current books and records as MIAX may prescribe and as may be prescribed by the Exchange Act and the rules and regulations thereunder;
 - e. MIAX Rule 514(d)(1), which requires that Priority Customer Orders have priority over Professional interest and all Market Maker interest at the same price;¹ and

¹ This applies when the MIAX has applied the "Priority Customer Overlay" as discussed in the rule.

- f. MIAX Rule 301 prohibiting an Options Member from engaging in acts or practices inconsistent with just and equitable principles of trade.

Supervision

9. During the Review Period, ATDF failed to have supervisory systems and controls in place, including a separate system of follow-up and review, reasonably designed to achieve compliance with the Exchange's origin code requirements. In particular, ATDF failed to have in place adequate controls to ensure that the origin code it routed was the same one as it received or should have received from its clients, and failed to have adequate systems for identifying incorrect origin codes on orders and conducting reviews to ensure correct origin codes were placed on orders. The conduct set forth in this paragraph constitutes a violation of MIAX Rule 500(b)(iii).

OTHER CONSIDERATIONS

10. In determining to resolve this matter in the manner set forth herein, and in determining the appropriate monetary sanction, Market Regulation considered that the firm promptly and completely remediated the issue regarding the submission of inaccurate origin codes as soon as it became aware of the problem. The firm also provided substantial assistance to Market Regulation staff, including self-reporting violations and providing the staff with data quantifying its violations, and implemented additional surveillances and controls prior to the completion of this matter.

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

1. A censure;
2. A total fine in the amount of \$625,000, of which \$30,000 is payable to MIAX;¹ and
3. An undertaking requiring the firm to address the origin code deficiencies described above to ensure that the firm has implemented procedures that are reasonably designed to achieve compliance with the rules and regulations cited herein.
 - a. The firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, no later than 90 days after the LOC becomes final, a signed dated letter, or an e-mail from a work-related account of a registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised

¹ The balance of the sanction will be paid to the self-regulatory organizations listed in Paragraph B.4

its supervisory systems and procedures to address the deficiencies described above; and (3) the dates that this was completed.

4. Acceptance of this LOC is conditioned upon acceptance of similar settlement agreements in related matters between the firm and each of the following self-regulatory organizations: Bats BZX Exchange, Inc.; BOX Options Exchange LLC; Chicago Board Options Exchange, Inc.; NASDAQ Options Market; NASDAQ PHLX LLC; and NYSE MKT LLC.

The firm agrees to pay the monetary sanction(s) upon notice that this LOC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to 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 sanctions imposed herein shall be effective on a date set by MIAX.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under MIAX Rules:

- A. To have a Statement of Charges issued specifying the allegations against the firm;
- B. To be notified of the Statement of Charges 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 MIAX'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 ("CRO"), as well as the Business Conduct Committee ("BCC"), in connection with participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including acceptance or rejection of this LOC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of MIAX Rule 1006, in connection with such person's or body's participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this LOC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO and the BCC, pursuant to MIAX Rule 1003;
- B. If this LOC 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. this LOC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by MIAX or any other regulator against the firm;
 - 2. this LOC will be published on a website maintained by MIAX; and
 - 3. 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 LOC or create the impression that the LOC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of MIAX, or to which MIAX is a party, that is inconsistent with any part of this LOC. 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 MIAX is not a party.
- D. The firm may attach a Corrective Action Statement to this LOC 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 LOC in this Statement. This Statement does not constitute factual or legal findings by MIAX, nor does it reflect the views of MIAX or its staff.

[continued on next page]


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 LOC and has been given a full opportunity to ask questions about it; that it has agreed to the LOC'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 Statement of Charges, has been made to induce the firm to submit it.

11/30/16
Date

Automated Trading Desk Financial Services, LLC
Respondent

By: 
Charles Mogilevsky, Managing Director
Citigroup Inc.

Reviewed by:


Counsel for Respondent
Robert A. Buhlman, Partner
Sidley Austin LLC
60 State Street, 36th Floor
Boston, Massachusetts 02109
(617) 223.0333

Accepted by Miami International Securities Exchange, LLC:

12/13/16
Date


Edward Deitzel
Executive Vice President and
Chief Regulatory Officer
Miami International Securities Exchange, LLC

Decision of the Business Conduct Committee:

Accept Decline

12/13/16
Date


By: Edward Deitzel
For the Business Conduct Committee


ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of Consent by the following method (check one):

- A firm check or bank check for the full amount;
- Wire transfer.

Respectfully submitted,
Respondent
Automated Trading Desk Financial Services, LLC

11/30/16
Date

By: 
Name: Charles Mayitsky
Title: Managing Director