

**UNITED STATES OF AMERICA**  
Before the  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
Release No. 10545 / September 14, 2018

**SECURITIES EXCHANGE ACT OF 1934**  
Release No. 84124 / September 14, 2018

**ADMINISTRATIVE PROCEEDING**  
File No. 3-18766

In the Matter of

**Citigroup Global Markets, Inc.**  
and  
**Citi Order Routing and  
Execution, LLC,**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTION 8A OF THE  
SECURITIES ACT OF 1933 AND SECTIONS  
15(b) AND 21C OF THE SECURITIES  
EXCHANGE ACT OF 1934, MAKING  
FINDINGS, AND IMPOSING REMEDIAL  
SANCTIONS AND A CEASE-AND-DESIST  
ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Citigroup Global Markets, Inc. (“CGMI”) and Citi Order Routing and Execution, LLC (f/k/a Automated Trading Desk Financial Services, LLC) (“CORE”) (together, “Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act and Sections 15(b) and 21C of the Exchange Act, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondents' Offers, the Commission finds that:

#### Summary

1. This proceeding arises from the conduct of Respondents in connection with a "crossing network" or "dark pool" called Citi Match. A dark pool is a trading venue or marketplace that accepts, matches and executes orders to buy and sell securities without providing its best-priced orders for inclusion in the consolidated quotation data. From at least December 2011 through June 2014 (the "relevant period"), CGMI was responsible for the marketing and sales of Citi Match and CORE was responsible for its day-to-day operation.

2. CGMI marketed Citi Match exclusively to institutional customers, including mutual fund and retirement fund advisers. During the relevant period, CGMI made material misstatements and omissions to these institutional users concerning (a) the types of market participants that were allowed to place orders in Citi Match and (b) Citi Match's practice of routing orders to other trading venues for execution.

3. First, CGMI represented that Citi Match was an "exclusive" and "premium" trading venue, which limited the types of market participants that could enter orders in the dark pool. In particular, CGMI represented to users through marketing materials, questionnaire responses and other communications that it did not allow high-frequency traders or "HFT" to enter orders in Citi Match. This representation was material because many market participants, particularly institutional firms, sought to avoid trading against HFT during the relevant period. CGMI charged users a relatively high commission rate for Citi Match executions – generally targeted to be a penny per share for executions of orders placed using a direct connection into Citi Match – based in part on the representation that Citi Match did not allow HFT.

4. Notwithstanding CGMI's statements that HFT firms were not allowed to enter orders in Citi Match, two proprietary trading firms that can reasonably be considered high frequency trading firms ("Trading Firm A" and "Trading Firm B") were among Citi Match's top users for certain portions of the relevant period and represented a significant portion of Citi Match's total trading activity. In fact, Trading Firm A and Trading Firm B accounted for more than 17 percent of all executions, by dollar volume, within Citi Match during the relevant period. In internal communications, certain CGMI and CORE employees repeatedly referred to Trading Firm A and Trading Firm B as "HFT" or "HFT-like."

5. Second, CGMI failed to adequately disclose to all users that orders sent to Citi Match could be routed to, and executed in, various external venues. This practice was known as "external routing," and was the default setting for Citi Match users. Through external routing, CORE took orders that were resting on Citi Match and simultaneously placed them on one or more outside venues, under the market participant identifier ("MPID") for CORE's market maker, using CORE's routing systems.

6. During the relevant period, approximately half of all executions that users obtained from sending orders to Citi Match took place on external venues.

7. The external venues to which Citi Match routed orders included a wide-range of alternative trading systems (“ATSs”), exchanges and electronic market makers. These external venues typically charged significantly less for trade executions than Citi Match and many did not share the premium characteristics that CGMI described Citi Match as having.

8. During the relevant period, one of the top external routing destinations for Citi Match orders was a different, lower cost ATS operated by CGMI called Citi Cross. Citi Cross was designed and marketed as a dark pool that would accept HFT orders, and charged only a fraction of Citi Match’s commission rate. In 2013 and 2014, Citi Cross accounted for more than half of all externally-routed trades from Citi Match.

9. When Citi Match orders were routed out to Citi Cross or another external venue, CGMI charged its users the Citi Match commission rate for all executions.

10. While CGMI disclosed external routing to some users in individualized communications, such as questionnaire responses, none of the marketing materials, technical specifications or other documents that CGMI widely distributed to Citi Match users during the relevant period mentioned external routing, even though some of these materials purported to explain Citi Match’s key features.

11. Further, as detailed below, in many instances the electronic messages sent to Citi Match users identified Citi Match as the execution venue for all “Citi Match” trades, even if those orders had been routed to and executed on an external venue.

12. As a result of these materially misleading statements and omissions concerning external routing and the absence of HFT in Citi Match, CGMI violated Section 17(a)(2) of the Securities Act, an anti-fraud provision of the federal securities laws.

13. Additionally, from at least December 2011 to April 30, 2015, CORE operated as an exchange by virtue of providing Citi Match as a marketplace for NMS stocks. Despite this, CORE did not register as a national securities exchange or operate pursuant to an exemption from such registration. Under the federal securities laws and Commission regulations, a trading system that meets the definition of an exchange must register with the Commission as a national securities exchange or operate pursuant to an exemption from such registration.

14. Some trading systems that meet the definition of an “exchange” instead operate as an ATS pursuant to an exemption and do not register as a national securities exchange. In such a case, the ATS must comply with Regulation ATS, which includes, among other things, registering as a broker-dealer and filing a Form ATS with the Commission before commencing operation.

15. As explained further below, CORE met the definition of an exchange as a result of its operation of Citi Match. Further, CORE did not operate in a manner that would have excluded it from the definition of exchange. Accordingly, CORE was required to register as a national securities exchange or operate pursuant to an exemption such as the exemption allowing for the operation of an ATS. CORE did neither. CORE therefore violated Section 5 of the Exchange Act.

## IV.

### Respondents

16. Citigroup Global Markets, Inc. is a New York corporation with its principal place of business in New York, New York. CGMI is a subsidiary of Citigroup Financial Products, Inc. (“Citigroup Financial Products”) and an indirect wholly owned subsidiary of Citigroup, Inc. (“Citigroup”). CGMI is, and at all relevant times was, a broker-dealer registered under the Exchange Act. Among other business activities, CGMI engages in securities brokerage and electronic trade execution services.

17. Citi Order Routing and Execution, LLC (formerly known as Automated Trading Desk Financial Services, LLC) is a South Carolina corporation with its principal place of business in Mt. Pleasant, South Carolina. CORE has been a subsidiary of Citigroup Financial Products and an indirect wholly owned subsidiary of Citigroup since October 2007. Prior to October 2007, CORE was a subsidiary of Automated Trading Desk, LLC. CORE is, and at all relevant times was, a broker-dealer registered under the Exchange Act.

### Facts

#### **A. CGMI Marketed Citi Match as a Premium Dark Pool Trading Venue**

18. From at least 2006 through May 2016, CORE carried out an equity market making business.<sup>1</sup> As part of this business, CORE purchased order flow from retail brokerage firms (“retail orders”), which CORE would then trade against on a principal basis within CORE’s order management system (“OMS”). In or around 2007, CORE launched a new trading product called I-Match. I-Match used CORE’s existing OMS and order router. However, unlike the CORE market maker, I-Match catered specifically to institutional users. Among other features, I-Match allowed institutional firms to place resting orders in I-Match to trade against retail order flow purchased by the CORE market maker, before the market maker had an opportunity to trade against those orders.

19. In October 2007, Citigroup Financial Products purchased CORE and rebranded I-Match as Citi Match. After the acquisition, Citi Match continued to be housed within CORE’s technological infrastructure and executions continued to be facilitated by CORE’s OMS. Accordingly, CORE retained primary responsibility for the day-to-day operation of Citi Match. From this point forward, CGMI assumed primary responsibility for sales and marketing of Citi Match through its “Electronic Execution” desk.

20. Citi Match was marketed by CGMI as a dark pool or “crossing network” for institutional users. Although both Citi Match and the CORE market maker used CORE’s technological infrastructure, orders placed by institutional users in Citi Match (“institutional orders”)

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<sup>1</sup> In May 2016, CORE sold its market making business, and now operates an agency routing business which is not the subject of this Order Instituting Proceedings.

could never match against orders placed by CORE in its market making capacity (*i.e.*, against CORE's principal interest).

21. Throughout the relevant period, CGMI marketed Citi Match as a dark pool that was separate from CORE's market maker. Among other things, CGMI marketing documents included depictions of Citi Match and the market maker, as well as other affiliated dark pools, as distinct trading venues. Similarly, CGMI separately reported Citi Match's trade volume to two outside firms that track and rank dark pool activity.

22. Throughout the relevant period, CGMI also marketed Citi Match as a "premium" and "exclusive" dark pool. For example, a pitch book that was used to market Citi Match between at least 2011 and 2013 described it a source of "premium liquidity." Likewise, a slide that was used in numerous different presentations to users and potential users between 2011 and 2014 emphasized the "purity" of the Citi Match dark pool.

23. CGMI supported its representation that Citi Match was a "premium" dark pool by, among other things, emphasizing the quality of the order flow in Citi Match. In numerous marketing documents distributed during the relevant period, CGMI represented that institutional orders entered in Citi Match could interact with three categories of user orders: (1) other institutional orders resting in Citi Match; (2) retail orders that passed through Citi Match prior to being exposed to CORE's market maker; and (3) "Liquidity Ping" orders, which were immediate-or-cancel ("IOC") orders from external broker-dealers that could "ping" Citi Match prior to being exposed to the CORE market maker.

24. Consistent with the representation that Citi Match was a "premium" pool, CGMI charged institutional users a commission rate for trade executions in Citi Match that was substantially higher than the commission rate charged by many other dark pools. Although the commission rate varied by user, the target commission rate for institutional users who placed trades using a direct connection to Citi Match was a penny per share.

## **B. CGMI's Misrepresentations and Omissions Concerning HFT**

25. During the relevant period, CGMI represented to institutional users that Citi Match did not allow high-frequency trading firms or "HFT" to enter orders in the dark pool. CGMI made these representations to Citi Match users in written marketing materials, presentations, questionnaire responses and emails. For example, a PowerPoint presentation that was used frequently in the marketing of Citi Match stated "No High Frequency Flow." Although CGMI repeatedly used the term "HFT" in its marketing materials, CGMI did not adopt a definition of "HFT" with respect to Citi Match, or tell users how it defined "HFT."<sup>2</sup>

26. CGMI's representations that Citi Match did not include HFT participants were misleading because, during the relevant period, two proprietary trading firms that can be reasonably

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<sup>2</sup> In addition, while Citi Match had certain attributes (such as a relatively high latency system and an even-allocation matching methodology) that caused CGMI to believe Citi Match was inhospitable to certain predatory trading strategies, CGMI did not establish policies and procedures designed specifically to identify and prevent HFT use of Citi Match during the relevant period.

characterized as HFT, Trading Firm A and Trading Firm B, entered orders in Citi Match. Trading Firm A was a Citi Match participant from at least January 2010 through November 2014. Trading Firm B was a Citi Match participant from at least July 2011 through September 2012.

27. Employees of CGMI's Electronic Execution desk, including employees with senior supervisory positions, were aware that Trading Firm A and Trading Firm B regularly used Citi Match. Between 2011 and 2014, at least nine different CGMI and CORE employees referred to Trading Firm A and Trading Firm B as "HFT" or "HFT-like" in internal communications. For example, multiple employees expressed concern that Trading Firm A and Trading Firm B, along with two CGMI-affiliated trading accounts, were sending so much "HFT-like" order flow and such high message counts to Citi Match that it strained its technological infrastructure.

28. During their respective periods of activity in the dark pool, Trading Firm A and Trading Firm B were among the most active users of Citi Match, accounting for 17 percent of all executions within Citi Match (*i.e.*, executions that were not the result of external routing), based on dollar volume.

29. The orders entered in Citi Match by Trading Firm A and Trading Firm B could, and did, match against orders entered by institutional firms. During the relevant period, Trading Firm A traded approximately 140 million shares, with a total notional value of approximately \$7.9 billion, with institutional counterparties. Trading Firm B traded approximately 72 million shares, with a notional value of approximately \$1.5 billion, with institutional counterparties.

30. During the relevant period, the presence of HFT in trading venues was important to institutional users, and at least thirteen Citi Match users asked CGMI in written questionnaires whether Citi Match included HFT participants and/or whether they could opt-out of trading against HFT in Citi Match. In one questionnaire response, CGMI said "The Citi Match Crossing Network does not include High Frequency Trading Clients." In another questionnaire response, CGMI said "We do not allow market makers and/or HFT... in [the] Citi Match liquidity network." In total during the relevant period, CGMI sent at least sixteen users responses indicating that HFT were not permitted to rest orders in Citi Match.

### **C. CGMI's Misrepresentations and Omissions Concerning External Routing**

31. Until August 1, 2014, orders entered in Citi Match could be externally routed to other trading venues ("external venues") for execution. External routing was a default feature of Citi Match, meaning that it was automatically enabled unless a user or a CGMI/CORE employee requested that it be disabled or customized for a particular user.

32. External routing worked as follows: after a Citi Match user placed an order in Citi Match, in the event that an execution was not immediately obtained, CORE would simultaneously place copies of that order on one or more external venues under the MPID for CORE's market maker. A Citi Match order could be externally routed as an IOC order, resting order, or both; in each such instance, the externally routed order would continue to rest in Citi Match. Although certain "anti-gaming" algorithms used by CORE could remove or cancel orders after they had been represented in an external venue, if a Citi Match order found a match on an external venue, the resulting execution would take place on the external venue.

33. During the relevant period, Citi Match routed orders to more than twenty different external venues. The external venues included ATSS, national securities exchanges and electronic market makers. Generally, the commission rates that the external venues charged for trade executions was substantially lower than Citi Match’s commission rate. In many cases, the external venues did not have the premium qualities that CGMI ascribed to Citi Match. For example, some of the external venues included HFT participants.

34. During the relevant period, a significant percentage of the executions that Citi Match users obtained from sending their orders to Citi Match took place through routing to external venues. In 2012, approximately 57 percent of all Citi Match executions, by dollar volume, took place through routing to external venues rather than within Citi Match. In 2013, approximately 37 percent of Citi Match executions took place through routing to external venues. In 2014, approximately 54 percent of Citi Match executions took place through routing to external venues. In total during the relevant period, approximately 9 billion shares, with a notional value of more than \$300 billion, were executed on external venues as a result of external routing.

35. Citi Match users paid the same commission rate whether their orders were executed in Citi Match or on an external venue as a result of external routing. For example, a Citi Match user who paid a penny per share for executions in Citi Match also paid a penny per share for any executions in the external venues.

36. CGMI did not adequately disclose to all Citi Match users that external routing was a default feature of the dark pool. During the relevant period, the marketing materials, technical specifications and other documents that CGMI widely distributed to Citi Match users did not mention external routing, even though some of these materials purported to explain Citi Match’s key features. For example, during the relevant period, CGMI frequently gave current and potential users a one-page marketing sheet that included the following diagram entitled “How does Citi Match work?”



Although this diagram purported to explain to users how Citi Match worked, neither the diagram nor any other portion of the marketing sheet referenced external routing.

37. During the relevant period, some Citi Match users submitted questionnaires to CGMI that specifically asked, among other things, whether Citi Match orders could be routed outside of the dark pool. CGMI provided inconsistent information to users in response to these questions. CGMI generally disclosed that orders could be routed to other venues as IOCs; but only in a limited number of instances did CGMI's response disclose both the IOC and resting forms of external routing.

38. Additionally, the electronic messages that some Citi Match users received after their orders were executed contained inaccurate information about the execution venue for those orders and thus did not put those users on sufficient notice that their orders had been executed through external routing.

39. During the relevant period, Citi Match utilized the Financial Information eXchange ("FIX") protocol to transmit trade information to and receive information from users. The FIX protocol uses a system of digital fields called "tags" that are populated during the trading process and relayed via FIX messages. A particular tag, called Tag 30 or "True Last Market," is supposed to identify the venue at which a trade was executed.

40. Prior to June 2012, CORE generally did not enable Tag 30 for Citi Match users, meaning that when users received FIX messages following a Citi Match trade, those messages typically did not contain any information about the execution venue for the trade. During this period, a limited number of Citi Match users asked to receive Tag 30 information. Those users received FIX messages that included Tag 30, but the messages listed the execution venue for all "Citi Match" trades as "IMAT," the market participant identifier for Citi Match, even if the trade had been executed in an external venue.

41. In June 2012, CORE enabled Tag 30 for internal CGMI users of Citi Match, who previously did not have access to complete execution venue information, so that they could ascertain the execution venues for externally routed Citi Match orders. After making this change for internal users, CGMI made a technical change so that, as a default setting for Citi Match users not affiliated with CGMI, the Citi Match market participant identifier, IMAT, would appear on FIX messages as execution venue for externally routed trades, instead of the actual execution venue. As a result, Citi Match users with the default settings received FIX messages that included inaccurate Tag 30 information. Only Citi Match users who specifically asked to receive execution venue information reflecting the venues to which orders had been externally routed received Tag 30 information that identified the actual execution venue.

42. CGMI did not adequately disclose external routing to all users until June 2014, when it began distributing an "FAQ" document that described both forms of external routing and provided a list of the default venues to which orders were routed.

**D. A Significant Portion of Externally Routed Orders Went to CGMI's Lower Cost ATS**

43. A significant portion of the above-described externally routed orders went to a CGMI-affiliated ATS that charged lower commissions than Citi Match and did not provide the same purported advantages as Citi Match.

44. Specifically, in 2011, CGMI launched a new ATS called Citi Cross. Citi Cross, unlike Citi Match, was designed to be, and operated as, an “ultra-low latency” trading venue that could accommodate HFT, among other types of market participants. In marketing materials and other client communications, CGMI highlighted the contrasts between Citi Cross and Citi Match, as shown in the following excerpt from a May 2012 marketing presentation:

Factors	Citi Match	Citi Cross
Commission Level	Higher commission	Lower commission
Key Benefits	Spread capture, better exec, least amount of adverse fills, full anti-gaming	No speed advantage, level playing field, optimal spread capture and maximize qty executed
Other Factors	No HFT, exclusive access	Greater liquidity center, hardware accelerated market data, ultra low latency, high capacity, high throughput

The standard commission rate for executions in Citi Cross was \$0.001 to \$0.003 per share, substantially less than Citi Match’s typical commission rates.

45. In early 2012, CORE added Citi Cross as one of the external venues to which Citi Match orders could be routed for execution.

46. By 2013, Citi Cross had become the top external venue for Citi Match orders, accounting for 50 percent of all externally routed executions that year on a notional basis. In 2014, Citi Cross was again the top external venue for Citi Match orders, accounting for 63 percent of all externally routed executions on a notional basis. Between 2012 and 2014, approximately 3 billion shares, with a notional value of \$115 billion, were executed on Citi Cross following a route from Citi Match. As with the other external venues, Citi Match users paid the higher Citi Match commission rate even when their orders were executed on Citi Cross.

**E. CORE was an Unregistered Exchange in its Provision of Citi Match**

47. Section 5 of the Exchange Act makes it unlawful for any broker, dealer, or exchange, directly or indirectly, to effect any transaction in a security, or to report any such transaction, in interstate commerce, unless the exchange is registered as a national securities exchange under Section 6

of the Exchange Act, or is exempted from such registration. Section 3(a)(1) of the Exchange Act defines an “exchange” as “any organization, association, or group of persons, whether incorporated or unincorporated, which constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange as that term is generally understood, and includes the market place and the market facilities maintained by such exchange.” 15 USC § 78c(a)(1).

48. Exchange Act Rule 3b-16(a) provides a functional test to assess whether a trading system meets the definition of exchange under Section 3(a)(1) of the Exchange Act. Under Exchange Act Rule 3b-16(a), an organization, association, or group of persons shall be considered an exchange if it: (1) brings together the orders for securities of multiple buyers and sellers; and (2) uses established, non-discretionary methods (whether by providing a trading facility or by setting rules) under which such orders interact with each other, and the buyers and sellers entering such orders agree to the terms of the trade.<sup>3</sup>

49. Exchange Act Rule 3b-16(b) excludes certain systems that the Commission believed did not meet the exchange definition. These systems include systems that merely route orders to other execution facilities and systems that allow persons to enter order for execution against the bids and offer of a single dealer system. For example, such systems would include one that (a) allows persons to enter orders for execution against the bids and offers of a single dealer and (b) matches user-to-user orders as an “incidental part” of its primary activity as a dealer, without displaying the orders to any person other than the dealer or its employees.<sup>4</sup>

50. A system that meets the criteria of Exchange Act Rule 3b-16(a), and is not excluded under Exchange Act Rule 3b-16(b), must register, pursuant to Section 5 of the Exchange Act, as a national securities exchange under Section 6 of the Exchange Act<sup>5</sup> or operate pursuant to an appropriate exemption. One of the available exemptions is for ATSs.<sup>6</sup> Exchange Act Rule 3a1-1(a)(2) exempts from the definition of “exchange” under Section 3(a)(1) an organization, association, or group of persons that complies with Regulation ATS.<sup>7</sup> Regulation ATS requires an ATS to, among other

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<sup>3</sup> See 17 CFR 240.3b-16(a).

<sup>4</sup> See 17 CFR 240.3b-16(b)(2)(i).

<sup>5</sup> See 15 U.S.C. §§ 78e and 78f. A “national securities exchange” is an exchange registered as such under Section 6 of the Exchange Act.

<sup>6</sup> Rule 300(a) of Regulation ATS promulgated under the Exchange Act provides that an ATS is “any organization, association, person, group of persons, or system: (1) [t]hat constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange within the meaning of [Exchange Act Rule 3b-16]; and (2) [t]hat does not: (i) [s]et rules governing the conduct of subscribers other than the conduct of subscribers’ trading on such [ATS]; or (ii) [d]iscipline subscribers other than by exclusion from trading.”

<sup>7</sup> See 17 CFR 240.3a1-1(a)(2). Rule 3a1-1 also provides two other exemptions from the definition of “exchange” for any ATS operated by a national securities association, and any ATS not required to comply with Regulation ATS pursuant to Rule 301(a) of Regulation ATS. See 17 CFR 240.3a1-1(a)(1) and (3). Neither of these exemptions are applicable in the present matter.

things, register as a broker-dealer, file a Form ATS with the Commission to notice its operations, and establish adequate safeguards and procedures to protect subscribers' confidential trading information. An ATS that complies with Regulation ATS and operates pursuant to the Rule 3a1-1(a)(2) exemption would not be required by Section 5 to register as a national securities exchange.

51. CORE met the criteria of Rule 3b-16(a) through its provision of Citi Match. Multiple buyers and sellers, which included institutional investors and retail broker-dealers, entered orders into Citi Match using certain order types. Buy and sell orders could rest in Citi Match or interact and automatically execute pursuant to pre-programmed priority rules and procedures. These established non-discretionary methods allowed Citi Match users to agree upon the terms of their trades without the discretion of the CORE market maker.

52. CORE did not operate Citi Match in a manner that would have excluded it from the definition of exchange under Rule 3b-16(b). In particular, the order matching and executions that occurred on Citi Match were not "incidental" to CORE's market making activity. Citi Match was intentionally designed, operated, and marketed as a separate pool for institutional users. Citi Match orders were deliberately segregated from principal orders placed by CORE, and could never match with CORE's principal orders. Finally, more than 7 billion shares were executed in Citi Match between December 2011 and April 30, 2015.

53. Although CORE met the definition of an exchange, it did not register as a national securities exchange or operate pursuant to an exemption from such registration, such as the exemption set forth in Regulation ATS.

## V.

54. As a result of the conduct described above, CGMI willfully<sup>8</sup> violated Section 17(a)(2) of the Securities Act, which makes it unlawful for "any person in the offer or sale of any securities . . . directly or indirectly . . . to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading."

55. As a result of the conduct described above, CORE willfully violated Section 5 of the Exchange Act, which makes it unlawful for "any broker, dealer, or exchange, directly or indirectly, to . . . effect any transaction in a security, or to report any such transaction, unless such exchange (1) is registered as a national securities exchange . . ." or a lawful exemption to registration applies.

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<sup>8</sup> A willful violation of the securities laws means merely "that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

## VI.

In view of the foregoing, the Commission deems it appropriate, in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 8A of the Securities Act and Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

- A. CGMI cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) of the Securities Act.
- B. CORE cease and desist from committing or causing any violations and any future violations of Section 5 of the Exchange Act.
- C. Respondents are censured.
- D. CGMI shall, within 14 days of the entry of this Order, pay disgorgement of \$4,718,784.59 and prejudgment interest of \$718,690.47 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.
- E. CGMI shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$6,500,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.
- F. CORE shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$1 million to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying CGMI or CORE as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Joseph G. Sansone, Chief, Market Abuse Unit, Division of Enforcement, Securities and Exchange Commission, 200 Vesey Street, Suite 400, New York, NY 10281.

G. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against a Respondent(s) by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Brent J. Fields  
Secretary