

BEFORE THE NATIONAL ADJUDICATORY COUNCIL
FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the Continued Association of
Michael C. Furman

as a

General Securities Representative and Equity
Trader

with

Citigroup Global Markets, Inc.

Notice Pursuant to
Rule 19h-1
Securities Exchange Act
of 1934

SD-2010

April 6, 2016

On October 21, 2013, Citigroup Global Markets, Inc. (“CGMI” or “Firm”) filed a Membership Continuance Application (“MC-400” or “Application”) with FINRA’s Department of Registration and Disclosure, seeking to permit Michael C. Furman (“Furman”), a person subject to a statutory disqualification, to continue to associate with the Firm as a general securities representative and equity trader. A hearing was not held in this matter. Rather, pursuant to FINRA Rule 9523, FINRA’s Department of Member Regulation (“Member Regulation”) recommended that the Chair of the Statutory Disqualification Committee, acting on behalf of the National Adjudicatory Council, approve Furman’s continued association with the Firm pursuant to the terms and conditions set forth below.

For the reasons explained below, we approve the Firm’s Application.

I. Furman’s Statutorily Disqualifying Event

Furman is subject to statutory disqualification, as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934 (“Exchange Act”), as a result of his September 19, 2013 guilty plea to, and conviction for, Aggravated Driving While Intoxicated with a Child Under 15 Years of Age, a felony in violation of New York law. A New York State court sentenced Furman to five years’ probation, fines and costs totaling \$2,070, and his driver’s license was suspended for one year. The conditions of his probation include, among other things, that he regularly meet with his probation officer; remain within the jurisdiction unless granted permission to leave; install an ignition interlock device on his vehicle; maintain gainful employment; and abstain from the use of alcoholic beverages. Furman’s probation expires on December 19, 2018.

According to the police report contained in the record, Furman was involved in a motor vehicle accident on the afternoon of July 30, 2012 in Rye, New York. Furman told the responding police officer that he was “adjusting the radio for his kids” when he drove off the road and struck a telephone pole. The police officer observed that Furman, who was cooperative, looked disheveled; his speech was slurred; his breath smelled of alcohol; and his eyes were bloodshot and glassy. The police officer performed a field sobriety test, which Furman failed. A breath test performed shortly thereafter revealed that Furman had a blood alcohol content of 0.14%.

Furman represents that he had attended a family event at a beach near his home, had too much to drink, and made the mistake of driving home with his two young kids in the car and was involved in an accident in which no one was injured. Furman explained that although the day of the accident “was a very difficult day for me it also marks a very important day because it was the first day of my recovery. . . . While I deeply regret the events that transpired . . . I am thankful for my chance at recovery and continue to be hopeful for my future.”

Pursuant to the conditions of his probation, Furman attended various alcohol treatment and recovery programs shortly after the incident, including an inpatient rehabilitation program. He continued his treatment in an outpatient program, and states that he has been sober since his arrest and regularly attends Alcoholics Anonymous (“AA”) meetings. According to his probation officer, he is in compliance with the terms of his probation.

II. Furman’s Background Information

Furman qualified as an investment company and variable contracts products representative in November 2000, as a general securities representative in October 2001, and as an equity trader in July 2004. He also passed the uniform securities agent state law examination in December 2000. Furman has been associated with the Firm since June 2010. He was previously associated with three firms.

Other than the incident underlying Furman’s statutory disqualification, the record reflects no customer complaints or arbitrations involving Furman, or any other regulatory, disciplinary, or criminal history.

III. Background of CGMI

CGMI is based in New York City and has been registered as a broker-dealer since 1936. The Application represents that the Firm has 769 branch offices, 125 Offices of Supervisory Jurisdiction (“OSJs”), and employs 1,947 registered principals, 8,128 registered representatives, and 6,690 non-registered employees. The Firm engages in a general securities business, and it currently does not employ any other individual who is subject to statutory disqualification.

A. Recent FINRA Cycle Examination History

The Firm's 2015 cycle examination is in progress. The Firm's 2014 cycle examination, a Financial/Operational, Alternative Net Capital, and Sales Practice examination, resulted in a referral to FINRA's Department of Enforcement ("Enforcement") for supervisory and risk management controls exceptions relating to Market Access, and a Cautionary Action for exceptions relating to books and records and margin requirements, among other things. The Firm provided a written response stating that it had addressed the deficiencies noted.

The Firm's 2013 cycle examination, a Financial/Operational, Alternative Net Capital, and Sales Practice examination, resulted in a Cautionary Action for exceptions relating to books and records, among other things. Prior to the examination's conclusion, the Firm took corrective steps to address the exceptions cited in the examination report.

B. Recent Formal Disciplinary History

In the past two years, CGMI has settled a number of matters with the Commission, various self-regulatory organizations and exchanges, and state regulators. These settlements addressed a variety of rule violations involving, among other things, proprietary orders, short sales, block trades, floor brokers, failing to deliver prospectuses, failing to ensure that registered representatives were properly registered, performing inadequate due diligence related to municipal securities, making material misstatements and omissions in connection with the offer and sale of securities, and supervisory deficiencies related to these matters. Pursuant to these settlements, CGMI paid fines ranging from \$100,000 to \$39 million, disgorged more than \$140 million, and retained independent consultants on several occasions.

In the past two years, FINRA has also accepted from the Firm 16 Letters of Acceptance, Waiver and Consent ("AWCs"). These AWCs addressed a variety of rule violations involving research analysts, trade reporting, books and records, and municipal underwriting, among others. Pursuant to these AWCs, CGMI was censured, ordered to pay fines ranging from \$15,000 to \$15 million, and, in certain cases, ordered to pay restitution to customers and comply with undertakings to revise its written supervisory procedures.

IV. Furman's Proposed Business Activities

The Firm proposes that Furman will continue to work from its home office, located in New York City. CGMI represents that Furman will work in a registered capacity as an equity cash sales trader, accept and execute institutional client orders in liquid equity markets, and be paid a salary plus a discretionary bonus (with the potential for a stock award of restricted securities in CGMI's common stock). CGMI further represents that Furman will not have discretionary authority over any client account, have any supervisory duties, and will not make recommendations to retail customers.

V. Furman's Proposed Supervision

CGMI designated Daniel Sanders ("Sanders"), the Managing Director and Head of CGMI's Americas Cash Execution in the U.S., to serve as Furman's primary supervisor. Sanders registered as a general securities principal in November 1996, as a general securities principal in June 2000, and as an equity trader in December 2000. He also passed the uniform securities agent state law examination in December 1996. Sanders has worked at CGMI since November 2000, and he was previously associated with one other firm.

Sanders works in the Firm's home office, in close proximity to Furman. In his capacity as Managing Director and Head of CGMI's Americas Cash Execution, he supervises eight individuals, including Furman. The record shows no customer complaints, arbitrations, or other regulatory, disciplinary, or criminal history for Sanders.

If Sanders is on vacation or out of the office for an extended period of time, the Firm designated John Nidds ("Nidds") to serve as Furman's alternate supervisor. Nidds is a Director and Head of CGMI's New York Equities Institutional Sales Trading. He registered as a general securities representative in August 1994, as an equity trader in January 2006, and as a general securities principal in July 2015. Nidds also passed the uniform securities agent state law examination in November 1994 and the National Commodity Futures examination in January 2008. Nidds has worked at CGMI since June 1994, and he has not worked at any other firms.

Like Sanders, Nidds works in the Firm's home office and sits in close proximity to Furman. In his role as Director and Head of CGMI's New York Equities Institutional Sales Trading Department, he is responsible for supervising the Institutional Sales Trading Desk, which includes supervising 18 individuals. The record shows no customer complaints, arbitrations, or other regulatory, disciplinary, or criminal history for Nidds.

VI. Discussion

After carefully reviewing the entire record in this matter, we approve the Firm's Application to continue to employ Furman as a general securities representative and equity trader, subject to the supervisory terms and conditions set forth below.

CGMI has the burden of demonstrating that Furman's continued association with the Firm is in the public interest and does not create an unreasonable risk of harm to the market or investors. *See Continued Ass'n of X*, Redacted Decision No. SD06002, slip op. at 5 (NASD NAC 2006), available at http://www.finra.org/sites/default/files/nacdecision/p036476_0.pdf; *see also Frank Kufrovich*, 55 S.E.C. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily-disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"); FINRA By-Laws, Article III, Section 3(d) (providing that FINRA may approve association of statutorily disqualified person if such approval is consistent with the public interest and the protection of investors).

In reviewing this type of application, we have considered whether the particular felony at issue, examined in light of the circumstances related to the felony and other relevant facts and circumstances, creates an unreasonable risk of harm to the market or investors. *See Kufrovich*, 55 S.E.C. at 625-26 (upholding FINRA’s denial of a statutory disqualification applicant who had committed non-securities related felonies “based upon the totality of the circumstances” and FINRA’s explanation of the bases for its conclusion that the applicant would present an unreasonable risk of harm to the market or investors). We assess the totality of the circumstances in reaching a judgment about Furman’s future ability to work in the securities industry in a manner that comports with FINRA’s requirements for high standards of commercial honor and just and equitable principles of trade in the conduct of his business.

For the reasons set forth below, we conclude that the Firm has satisfied its burden and Furman’s participation in the securities industry, subject to the supervisory terms and conditions set forth below, will not present an unreasonable risk of harm to the market or investors.

We acknowledge the seriousness of Furman’s criminal conviction. We note, however, that his felony conviction did not involve securities or fraudulent misconduct. We are not aware of any intervening misconduct by Furman, and Furman has been registered in the securities industry for more than 15 years without any evidence of regulatory wrongdoing or customer complaints. Further, Furman has stated his remorse and accepted responsibility for his behavior. Indeed, he has taken steps to rectify and prevent its reoccurrence, including attending inpatient and outpatient treatment programs and AA meetings. Furman’s commitment to preventing a reoccurrence is also demonstrated by his continued compliance with the terms of his probation, as confirmed by his probation officer.¹

We also find that Sanders is well-qualified to supervise Furman. He has worked in the securities industry for 19 years and has an unblemished regulatory history. He has been employed with the Firm since 2000 and has not been named in any of the Firm’s formal regulatory actions.² The Firm and Member Regulation both conclude that

¹ We have determined that Furman should be allowed to continue to associate with CGMI even though he remains on probation until December 2018. We have previously approved similarly situated individuals who were serving probation because they were in compliance with the terms of their probation and had otherwise clean regulatory histories. *See Continued Association of X*, SD09008 (FINRA NAC 2009) (redacted decision), available at http://www.finra.org/sites/default/files/NACDecision/p125875_0_0.pdf; *Continued Association of X*, SD05007 (NASD NAC 2005) (redacted decision), available at http://www.finra.org/sites/default/files/NACDecision/p036497_0.pdf.

² Although Furman’s backup supervisor Nidds has only recently registered as a general securities principal, Member Regulation has represented that it is comfortable with Nidds serving as a backup supervisor. The heightened supervisory plan, which requires that Sanders promptly review any action taken by Nidds in Sanders’ absence, supports this view.

Sanders has adequate time to supervise Furman. Moreover, the heightened supervisory plan is comprehensive and tailored to Furman and his disqualifying event. Furman will be supervised onsite and in close proximity to Sanders, who will be able to monitor Furman for signs of alcohol use.

Finally, we acknowledge that the Firm has disciplinary and regulatory history. Notwithstanding this history, we agree with Member Regulation's assessment that this history does not warrant denial of the Application. In reaching this conclusion, we have considered the specific supervisory structure in place for Furman, including a well-qualified primary supervisor and the comprehensive proposed heightened plan. On balance, the Firm's regulatory actions do not warrant a denial of Furman's continued association with the Firm considering his misconduct and the specific supervisory structure in place for him.

We find that the following heightened supervisory procedures, if they are diligently followed, will enable the Firm to reasonably monitor Furman's activities on a regular basis:³

1. The written supervisory procedures for CGMI will be supplemented by this Plan of Supervision. Under this plan, Sanders is the primary supervisor responsible for Furman. Nidds will serve as the back-up supervisor to Sanders in the event he is unavailable. In the event that Nidds performs any duties required under this plan while Sanders is unavailable, Sanders will review such actions taken by Nidds and certify, within three (3) business days, that these actions comply with the obligations of this Plan of Supervision. Records of these certifications will be kept segregated and maintained for ease of review during any statutory disqualification or other examination. In the event that Sanders remains unavailable to perform the duties of this Plan of Supervision, Nidds shall be responsible for all duties and obligations herein.
2. Furman will be supervised onsite and in close proximity by Sanders in the CGMI home office located at 390-388 Greenwich Street, New York, NY.
3. On a monthly basis, Furman and Sanders will meet to review Furman's compliance with this plan. In particular, Sanders and Furman will discuss whether Furman has complied with the terms of his probation, the Firm's policies and procedures, and FINRA and SEC rules. In conducting the review, Sanders will utilize a checklist, but will make inquiries beyond the checklist as is reasonable based on information that CGMI knows or should have known. Any issues or concerns will be memorialized by Sanders and escalated to the Compliance Department. A copy of the

³ The Firm has represented that the proposed heightened supervisory conditions for Furman set forth in this heightened supervisory plan are special for Furman and are not required of other registered representatives, except for items 2, 3, and 6.

- checklist and any accompanying documents for each meeting will be maintained by CGMI and kept segregated for ease of review during any statutory disqualification or other examination. As part of this checklist, Sanders will also certify to the Firm's Compliance Department that Sanders and Furman are in compliance with the conditions set forth herein.
4. During the course of their business interactions, Sanders will observe Furman's demeanor and physical appearance for any signs of impairment. Sanders will immediately notify the Compliance Department and Human Resources of any impairment, unexplained lateness or absences, or other questionable or unacceptable behavior.
 5. All complaints (internal or external) pertaining to Furman, whether verbal or written, will immediately be referred to Sanders for review, and then to the Compliance Department. Sanders will prepare a memorandum to the file as to what measures he took to investigate the complaint and the resolution of the matter. Documents pertaining to these complaints will be kept segregated for ease of review during any statutory disqualification or other examination.
 6. Furman will not maintain discretion over customer accounts.
 7. Furman will not act in a supervisory capacity.
 8. Sanders will review Furman's incoming written correspondence (not including email – see below) upon its arrival and will review outgoing written correspondence (not including email – see below) before it is sent.
 9. For the purposes of client communication, Furman will only be allowed to use an email account that is held at CGMI, with all emails being filtered through the Firm's email system. If Furman receives a business-related email message in another email account outside the Firm, he will immediately deliver that message to the Firm's email account. Furman will also inform the Firm of all outside email accounts that he maintains. If Furman forwards a client-related email that was initially received in an outside email account, then Sanders will review it.
 10. Furman's external, electronic communications (i.e., email and instant messages) will be reviewed on at least a bi-weekly basis by the Firm's email surveillance team. The bi-weekly review of Furman's external, electronic communications will involve a lexicon-based review of all of Furman's external, electronic communications. The Firm's email surveillance team will escalate any concerns identified as a result of the review to the relevant group within the Firm's Compliance Department that is responsible for overseeing the equity trading desk. Following their

review of any concerns raised by the email surveillance team, the Compliance Department will escalate any concerns to the management team responsible for overseeing the equity trading desk. With respect to those items that are escalated, the email surveillance team and the Compliance Department will evidence their conclusions and any action taken as a result of the review.

11. On an annual basis, CGMI will resubmit to FINRA Furman's fingerprint cards for the purpose of conducting an updated criminal background check.
12. On a quarterly basis, Furman will certify in writing that he is in full compliance with this Plan of Supervision, and that he is in compliance with the additional requirement that he inform the Firm immediately if he violates the terms of his probation or engages in conduct that violates the Plan of Supervision. The Firm will immediately notify Member Regulation of Furman's violation of his probation or the Plan of Supervision. Furman's certifications will be kept segregated for ease of review during any statutory disqualification or other examination.
13. The Firm will obtain prior approval from Member Regulation if the Firm wishes to change Furman's responsible supervisor from Sanders to another person.
14. This Plan of Supervision shall remain in effect for the duration of Furman's statutory disqualification (i.e., until September 19, 2023) unless modified by FINRA after a request for modification by CGMI.

FINRA certifies that: (1) Furman meets all applicable requirements for the proposed employment; (2) the Firm is also a member of NYSE Arca, NASDAQ OMX BX, DTC, NSCC, and FICC, as well as BATS-YX, BATS-ZX, CBOE, CHX, EDGA, EDGX, ISE, NASDAQ OMX PHLX, NQX, NYSE MKT, NYSE, which concur in the proposed employment; (3) the Firm has represented that Furman and Sanders and Nidds are not related by blood or marriage; and (4) the Firm does not currently employ any other individuals who are subject to statutory disqualification.

VII. Conclusion

Accordingly, we approve the Firm's Application to continue to employ Furman as a general securities representative and equity trader, subject to the above-mentioned heightened supervisory procedures. In conformity with the provisions of Exchange Act Rule 19h-1, the association of Furman with the Firm will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the Commission.

On Behalf of the National Adjudicatory Council,

Marcia E. Asquith
Senior Vice President and Corporate Secretary