



Manitoba  
Financial Services  
Agency

THE COMMODITY FUTURES ACT )  
)  
Subsection 66(1) )

Order No. 7689

February 12, 2025

**CITIGROUP GLOBAL MARKETS INC.**

**WHEREAS:**

- A.** Citigroup Global Markets Inc. (the **Filer**) has applied to the Manitoba Securities Commission (the **Commission**) for an order pursuant to subsection 66(1) of the *Commodity Futures Act* (Manitoba) (the **CFA**) granting relief from the requirement in subsection 24(1) of the CFA for the Filer to be registered as a dealer in connection with trades in commodity futures contracts and options on commodity futures contracts (collectively, **Futures Contracts**), including, for greater certainty, trade execution of Futures Contracts that trade on certain exchanges located outside of Canada, and the clearing or facilitating the clearing of Futures Contracts that trade on certain exchanges located inside and outside of Canada (**Futures Trades**), with residents of Manitoba that are “permitted clients” as defined in section 1.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) that are not individuals (**Institutional Permitted Clients**) (the **CFA Dealer Relief**).
- B.** The Filer has represented to the Commission that:
- (1) The Filer is a corporation incorporated under the laws of the State of New York, with its head office located in New York, New York;
  - (2) The Filer is a wholly-owned subsidiary of Citigroup Financial Products Inc., which in turn is indirectly wholly-owned by Citigroup Inc.;
  - (3) The Filer is registered as a broker-dealer with the U.S. Securities and Exchange Commission (**SEC**), a member of the U.S. Financial Industry Regulatory Authority (**FINRA**), a registered futures commission merchant (**FCM**) with the U.S. Commodity Futures Trading Commission (**CFTC**), and a member of the U.S. National Futures Association (**NFA**);
  - (4) The Filer is a member of major securities exchanges, including the American Stock Exchange, the Chicago Stock Exchange, the New York Stock Exchange, and the Philadelphia Stock Exchange. The Filer is also a member of the CME Group (including the Chicago Board of Trade), ICE Futures U.S., Inc., the New York Mercantile Exchange (including COMEX) and other principal U.S. commodity exchanges, and trades through affiliated or unaffiliated member firms on certain

other exchanges, including exchanges in Canada, France, Italy, Japan, Singapore, Spain, Taiwan, Mexico, Korea and the United Kingdom;

- (5) The Filer is a member of the Securities Investors Protection Corporation (**SIPC**). Subject to the eligibility criteria of SIPC, client assets held by the Filer in connection with its activities as a broker-dealer are insured by SIPC against loss due to insolvency in accordance with the Securities Investor Protection Act of 1970. There is no SIPC or similar insurance protection in connection with activities undertaken as a U.S. registered FCM;
- (6) All representatives of the Filer who trade Futures Contracts in the United States have passed the futures and options proficiency examination (i.e., the National Commodity Futures Examination (Series 3)) administered by U.S. FINRA;
- (7) As a U.S. registered broker-dealer and FCM, the Filer is subject to regulatory capital requirements under the U.S. *Commodity Exchange Act (CEA)* and *Securities Exchange Act of 1934 (the 1934 Act)*, specifically CFTC Regulation 1.17 Minimum Financial Requirements for Futures Commission Merchants and Introducing Brokers (**CFTC Regulation 1.17**), SEC Rule 15c3-1 Net Capital Requirements for Brokers or Dealers (**SEC Rule 15c3-1**) and SEC Rule 17a-5 Reports to be Made by Certain Brokers and Dealers (**SEC Rule 17a-5**). The Filer has elected to compute the minimum capital requirement in accordance with the alternative net capital requirement as permitted by SEC Rule 15c3-1 and CFTC Regulation 1.17. The Alternative Net Capital (**ANC**) method provides large broker-dealer / FCMs meeting specified criteria with an alternative to use mathematical models such as the value at risk model to calculate capital requirements for market and derivatives related credit risk. Under the ANC method, the Filer must document and implement a comprehensive internal risk management system which addresses market, credit, liquidity, legal and operational risk at the firm.
- (8) SEC Rule 15c3-1 and CFTC Regulation 1.17 are designed to provide protections that are substantially similar to the protections provided by the capital formula requirements and specifically risk adjusted capital to which dealer members of Canadian Investment Regulatory Organization (**CIRO**) are subject. The Filer is in compliance with SEC Rule 15c3-1 and in compliance in all material respects with SEC Rule 17a-5. If the Filer's net capital declines below the minimum amount required, the Filer is required to notify the SEC and FINRA pursuant to SEC Rule 17a-11 Notification Provisions for Brokers and Dealers (**SEC Rule 17a-11**). The SEC and FINRA have the responsibility to provide oversight over the Filer's compliance with SEC Rule 15c3-1 and SEC Rule 17a-5.
- (9) The Filer is required to prepare and file a financial report, which includes Form X-17a-5 Financial and Operational Combined Uniform Single Report under SEC Rule 17a-5 (the **FOCUS Report**), monthly with the CFTC, NFA, SEC and FINRA. The FOCUS Report provides a more comprehensive description of the business activities of the Filer, and more accurately reflects those activities including client lending activity, than would be provided by Form 31-103F1 Calculation of Excess Working Capital (**Form 31-103F1**). The FOCUS Report provides a net capital

calculation and a comprehensive description of the business activities of the Filer. The net capital requirements computed using methods prescribed by SEC Rule 15c3-1 are based on all assets and liabilities on the books and records of a broker-dealer whereas Form 31-103F1 is a calculation of excess working capital, which is a computation based primarily on the current assets and current liabilities on the books and records of the dealer. The Filer is up-to-date in its submission of annual reports under SEC Rule 17a-5(d), including the FOCUS Report.

- (10) The Filer is subject to CFTC Regulation 30.7 regarding cash, securities and other collateral that are deposited with a FCM or are otherwise required to be held for the benefit of its customers to margin futures and options on futures contracts traded on non-U.S. boards of trade, including exchange-listed Futures Contracts in Canada (**30.7 Customer Funds**). Accounts used to hold 30.7 Customer Funds must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's customers who are trading foreign (i.e. non-U.S.) futures and futures options.
- (11) 30.7 Customer Funds may not be commingled with the funds of any other person, including the carrying FCM, except that the carrying FCM may deposit its own funds into the account containing 30.7 Customer Funds in order to prevent the accounts of the customers from becoming under-margined. Each approved depository (except for a derivatives clearing organization with specified rules) is required to provide the depositing FCM with a written acknowledgment that the depository was informed that such funds held in the customer account belong to customers and are being held in accordance with the CEA and CFTC Regulations. Among other representations, the depository must acknowledge that it cannot use any portion of 30.7 Customer Funds to satisfy any obligations that the FCM may owe the depository. The types of investments permitted for 30.7 Customer Funds are restricted by CFTC Regulation 30.7(h), which refers to the list of permitted investments set forth in CFTC Regulation 1.25. The FCM is required, on a daily basis, to compute and submit to regulatory authorities a statement of the amounts of 30.7 Customer Funds held by the FCM.
- (12) In the event of a FCM's bankruptcy, funds allocated to each account class (i.e., the customer segregated, 30.7 secured amount and cleared swaps customer account classes established pursuant to CFTC Regulations 1.20, 30.7 and 22.2, respectively) or readily traceable to an account class must be allocated solely to that customer account class. The U.S. Bankruptcy Code also provides that non-defaulting customers in an account class that has incurred a loss will share in any shortfall, pro rata. However, customers whose funds are held in another account class that has not incurred a loss will not be required to share in such shortfall.
- (13) The Filer holds customer assets in accordance with Rule 15c3-3 of the 1934 Act, as amended (**SEC Rule 15c3-3**). SEC Rule 15c3-3 requires the Filer to segregate and keep segregated all "fully-paid securities" and "excess margin securities" (as such terms are defined in SEC Rule 15c3-3) of its customers from its proprietary assets. In addition to the segregation of customers' securities, SEC Rule 15c3-3 requires the Filer to deposit an amount of cash or qualified government securities

determined in accordance with a reserve formula set forth in SEC Rule 15c3-3 in an account entitled "Special Reserve Account for the Exclusive Benefit of Customers" of such Filer at separate banks and/or custodians. The combination of segregated securities and cash reserve are designed to ensure that the Filer has sufficient assets to cover all net equity claims of its customers and provide protections that are substantially similar to the protections provided by the requirements dealer members of the Canadian Investment Regulatory Organization are subject. If the Filer fails to make an appropriate deposit, the Filer is required to notify the SEC and FINRA pursuant to SEC Rule 15c3-3(i). The Filer is in material compliance with the possession and control requirements of SEC Rule 15c3-3.

- (14) The Filer is subject to regulations of the Board of Governors of the U.S.A. Federal Reserve Board (**FRB**), the SEC, and FINRA regarding the lending of money, extension of credit and provision of margin to clients (the **U.S. Margin Regulations**) that provide protections that are substantially similar to the protections provided by the requirements regarding the lending of money, extension of credit and provision of margin to clients to which dealer members of Canadian Investment Regulatory Organization are subject. In particular, the Filer is subject to the margin requirements imposed by the FRB, including Regulation T, and under applicable SEC rules and under FINRA Rule 4210. The Filer is in material compliance with all applicable U.S. Margin Regulations.
- (15) The Filer currently relies on the registration exemption available in section 8.18 of NI 31-103 (the **International Dealer Exemption**) and the registration exemption available in section 8.26 of NI 31-103 (the **International Adviser Exemption**) in all Canadian jurisdictions;
- (16) The Filer maintains exemptive relief similar to the CFA Dealer Relief in Ontario and Quebec with respect to Futures Trades with Institutional Permitted Clients resident in each jurisdiction.
- (17) The Filer is not in default of the securities or commodities legislation in Manitoba. The Filer is not in default of other Canadian securities legislation and is in compliance, in all material respects, with American federal securities laws, and the futures laws of the United States.
- (18) With respect to Futures Trades in non-Canadian exchange-listed Futures Contracts, the Filer wishes to provide trade execution and clearing broker services to Manitoba Institutional Permitted Clients;
- (19) With respect to Futures Trades in Canadian exchange-listed Futures Contracts, the Filer wishes to act as a clearing broker in the context of Give-Up Transactions (defined below) for Manitoba Institutional Permitted Clients;
- (20) A "**Give-Up Transaction**" is a purchase or sale of futures contracts by a client that has an existing relationship with a clearing broker, but wishes to use the trade execution services of one or more other executing brokers for the purpose of executing such purchases or sales (**Subject Transactions**) on one or more regulated

markets. Under these circumstances, the executing broker executes the Subject Transactions as directed by the client and "gives-up" such trades to the clearing broker for clearing, settlement, record-keeping, bookkeeping, custody and other administrative functions (**Clearing Broker Services**). The executing broker provides the trade execution service.

- (21) In a Give-Up Transaction, the clearing broker will maintain an account for the client that is administered in accordance with the terms and conditions of the account documentation of the clearing broker that has been signed by the client. The clearing broker will handle record keeping and collateral for the client. The client will not sign clearing account documentation with the executing broker, nor will the executing broker typically receive monies, margin or collateral directly from the client. Although the executing broker is responsible for its own record-keeping, bookkeeping, custody and other administrative functions (**Account Services**) in respect of its own clients, it does not, subject to any applicable regulatory requirements that may otherwise apply, provide Account Services for execution-only clients. Such Account Services remain the responsibility of the clearing broker. The clearing broker will have the primary relationship with the client and is contractually responsible for trade and risk monitoring as well as reporting trade confirmations and sending out monthly statements.

For greater clarity, this means that Institutional Permitted Clients would place orders for Canadian exchange-listed Futures Contracts for execution with an appropriately registered futures commission merchant. The registered futures commission merchant would be responsible for all client-facing interactions relating to the execution of Canadian exchange-listed Futures Contracts. The Filer does not dictate to its clients the executing brokers through which clients may execute trades inside or outside of Canada. Clients are free to directly select their executing broker. Clients send orders to the executing broker who carries out the trade. The executing broker will always be an appropriately registered dealer or a person or company relying on an exemption from dealer registration that permits it to execute the trade for clients. The Filer does not act in such an execution capacity in relation to Canadian exchange-listed Futures Contracts.

- (22) Once the trade is executed, it would then be sent directly by the registered futures commission merchant or sent through the Filer to an appropriately licensed clearing member of the Canadian Derivatives Clearing Corporation (**CDCC**) for clearing and settlement. The Filer has an affiliate, Citigroup Global Markets Canada Inc. (**CGMC**), that is registered as an investment dealer under the securities legislation in each of the jurisdictions of Canada and is an investment dealer member of CIRO, a derivatives dealer in Quebec, and a clearing member of the CDCC. Trades may be cleared by CGMC or another unaffiliated clearing member of the CDCC. Cleared positions are then held in nominee name by the clearing member at the clearing member's CDCC account. The Filer, having an omnibus account arrangement with the clearing member, records the client position on its ledgers for the Institutional Permitted Client. Where the position results in a margin call, the clearing member will request the margin from the Filer, and the Filer will facilitate

the margin payments between the Institutional Permitted Client and the clearing member.

- (23) The Filer's ledgers will also contain information of the Institutional Permitted Client's global positions to allow the Institutional Permitted Client to have a consolidated view of all positions and access to Account Services on the consolidated positions. The purpose of an Institutional Permitted Client maintaining their Canadian exchange-listed Futures Contracts position with the Filer would be to centralize their futures positions in a single account so that their deposited margin for their futures positions are combined in that account. Effectively, this results in the client being able to use their margin efficiently, reducing the need for the client to maintain multiple accounts across the global jurisdictions in which they trade, and having to put up duplicated amounts of deposit with multiple clearing brokers to maintain their local positions. A centralized account with the Filer offers the client the opportunity to offset their margin payments with the gains from another futures position so that only a single margin call/payment is required in each instance, payment via a single wire transfer in each instance, ease of reconciliation, and the ability to receive consolidated reporting.
- (24) The Filer proposes to offer the same clearing facilitation and settlement services with respect to Canadian exchange-listed Futures Contracts, that are currently being provided to Institutional Permitted Clients in Ontario and Quebec to Manitoba based Institutional Permitted Clients.
- (25) The Filer's activities in providing trade execution services on Futures Trades on exchanges outside of Canada and Clearing Broker Services to, from or on behalf of Institutional Permitted Clients, may also constitute trading in Futures Contracts by Institutional Permitted Clients. Institutional Permitted Clients may be unable to rely on the exemptions from the dealer registration requirement in the CFA because the Filer is not a registered dealer. Accordingly, the Filer is also seeking exemptive relief for Institutional Permitted Clients that receive trade execution services on Futures Contracts on exchanges outside of Canada and Clearing Broker Services from the Filer;
- (26) The Filer believes that it would be beneficial to Institutional Permitted Clients in Manitoba that trade in the international futures markets for the Filer to act as an executing broker for non-Canadian exchange-listed Future Contracts and clearing broker, as described above, for both Canadian and non-Canadian exchange-listed Futures Contracts for the Institutional Permitted Client because such an arrangement enables the Institutional Permitted Client to benefit from significant efficiencies in collateral usage and consolidated reporting. Benefits include single margin calls/payments, single wire transfer, ease of reconciliation, netting and cross product margining.

C. Based on the foregoing, the Commission is of the opinion that it would not be prejudicial to the public interest to grant this order.

**IT IS ORDERED:**

1. **THAT**, pursuant to subsection 66(1) of the CFA, the CFA Dealer Relief is granted provided that:

- (a) at the time trading activity is engaged in:
  - (i) the Filer is permitted to trade in Futures Contracts in the United States and is registered with the CFTC as a futures commission merchant and is a member of the NFA in good standing;
  - (ii) the Filer's representatives are permitted to trade Futures Contracts in the United States and are registered with the CFTC and NFA; and
  - (iii) the Filer has filed a submission to jurisdiction and appointment of service in the form of Form 31-103F2 Submission to Jurisdiction and Appointment of Agent for Service (F2) with the Manitoba Securities Commission, except that the Filer must delete from the F2 title "(sections 8.18 [international dealer] and 8.26 [international adviser]", and the Filer must delete paragraph 6 of the F2 referring to the section of NI 31-103 relied on, and in paragraph 11 of the F2 the Filer must replace the phrase, "ceases to rely on section 8.18 [international dealer] or section 8.26 [international adviser]" with the phrase, "ceases to rely on the exemption from s. 24(1) of the *Commodity Futures Act* (Manitoba) granted by the Manitoba Securities Commission on February 12, 2025".
- (b) each client in Manitoba effecting Futures Trades through the Filer is an Institutional Permitted Client and, if using a clearing broker that is not affiliated with the Filer in any way, such clearing broker has represented and covenanted that it is or will be appropriately registered or exempt from registration under the CFA;
- (c) the Filer provides each client in Manitoba effecting Futures Trades through the Filer with disclosure upon entering into the agreement by which it establishes an account with the Filer that includes:
  - (i) a statement that there may be difficulty in enforcing any legal rights against the Filer or any of its directors, officers or employees because they are resident outside of Canada and all or substantially all of their assets are situated outside of Canada;
  - (ii) a statement of the jurisdiction of the Filer's head office or principal place of business;
  - (iii) a statement that the Filer is not registered as a dealer under the CFA and, accordingly, the protection available to clients of a futures commission merchant registered under the CFA will not be available to clients of the Filer;
  - (iv) the name and address of the agent for service in Manitoba; and

- (v) a risk disclosure statement providing substantially similar disclosure to the disclosure in Form 13 Risk Disclosure Statement for Futures and Options Under *Commodity Futures Act* (Manitoba);
- (d) the Filer notifies the Manitoba Securities Commission of any Regulatory Action after the date of this decision in respect of the Filer by completing and filing Appendix A within 30 days of the Filer becoming aware of such action;
- (e) the CFA Dealer Relief is available to the Filer so long as it is not registered in any Canadian Jurisdiction; and
- (f) this Order will expire five years after the date of this decision.

2. **THAT** the fee for this order is \$650.

**BY ORDER OF THE COMMISSION**

  
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**Director**



## APPENDIX A

### NOTICE OF REGULATORY ACTION

The firm has entered into a settlement agreement with a financial services regulator, securities or derivatives exchange, SRO or a similar agreement with a financial services regulator, securities or derivatives exchange, SRO or similar organization.

Provide the following information for each settlement agreement:

Name of entity

Regulator/organization

Date of settlement (yyyy/mm/dd)

Details of settlement

Jurisdiction

A financial services regulator, securities or derivatives exchanges, SRO or similar organization has:

Yes

determined that the firm violated securities regulations or rules of a securities or derivatives exchange, SRO or similar organization

determined that the firm made a false statement or omission

issued a warning or requested an undertaking by the firm

suspended or terminated a registration, license or membership of the firm

imposed terms or conditions on any registration or membership of the firm

conducted a proceeding or investigation involving the firm

issued an order (other than an exemption order) or a sanction to the firm for securities or derivatives-related activity (e.g. cease trade order)

Provide the following information for each action:

Name of entity

Type of Action

Name of entity

Regulator/organization

Date of action (yyyy/mm/dd)      Reason for action

Details of settlement

Jurisdiction

The firm is aware of an ongoing investigation of which the firm is the subject Provide the following information for each investigation:

Name of entity

Reason or purpose of investigation

Regulator/organization

Date investigation commenced (yyyy/mm/dd)

Jurisdiction

Name of firm

Name of firm's authorized signing officer or partner

Title of firm's authorized signing officer or partner

Signature

Date (yyyy/mm/dd)

***Witness***

The witness must be a lawyer, notary public or commissioner of oaths.

Name of witness

Title of witness

Signature

Date (yyyy/

This form is to be submitted to the following address:

The Manitoba Securities Commission

500-400 St. Mary Avenue

Winnipeg, Manitoba R3C 4K5

Attention: Director - Registration and Compliance

Telephone: ●

Email: ●