

FINRA RULE 5320

Under Rule 5320, if a firm is in possession of a customer order that is eligible for protection, the firm may not receive executions for its own account at prices that would satisfy the customer order without providing the executions to the customer order. Thus, this Rule is substantively similar to Manning. While NYSE Rule 92 made distinctions between various types of firm activity (facilitation, hedging, arbitrage, etc.), Rule 5320 does not. Additionally, Rule 5320 permits firms to accept orders from institutional accounts and to trade along or exclusive of such orders without providing them protection as long as the firms have provided disclosure of their order handling practices. Consonant with this Rule, CGMI would like to take this opportunity to explain which institutional customer orders will receive protection under Rule 5320.

Orders received by CGMI from its institutional customers that are below 10,000 shares, under \$100,000 in notional value and entered on a “held” basis will be protected by CGMI. Therefore, any trading desk of CGMI’s with knowledge of such an order will be required to provide the order with protection. Additionally, an institutional customer may opt into order protection on orders over 10,000 shares and \$100,000 notional, provided that these orders are entered on a “held” basis. CGMI will consider such requests on a case-by-case basis and will inform the customer whether it is willing to accept such a protected order.

Because “not held” orders¹ require that the firm exercise discretion as to the time and price of execution, CGMI does not believe that it is feasible for these orders to be eligible for share-for-share protection. Additionally, orders executed subject to a guarantee² are ineligible for share-for-share protection. Lastly, complex orders³ from customers will not be eligible for protection because of the difficulties in assessing which firm executions are applicable to a particular complex customer order.

Customers with electronic connectivity to CGMI (e.g., FIX connectivity) may have profile settings to re-route orders with certain characteristics to a sales trader for manual handling. Such orders will always be considered “not held”. If you would like to check the settings for your electronic sessions, please contact your sales trader.

Risk orders⁴ with price improvement will not be eligible for Rule 5320 protection. Rather such customer orders will be priced according to the price-improvement formula agreed upon between CGMI and the customer.

If you have any questions related to FINRA Rule 5320, please contact your Citi Equities Sales Trader.

¹ Included in “not held” orders are: best-efforts VWAP orders, “participate” orders, percentage of volume orders, stopped orders, “work” orders, and “over-the-day” orders.

² Included in guaranteed orders are: guaranteed close orders, Market-on-Close orders, Limit-on-Close orders, guaranteed open orders, Market-on-Open, Limit-on-Open, and guaranteed VWAP orders.

³ Included in complex orders are: basket or program orders, risk arbitrage pairs orders, spread orders, convertible swaps orders, and multi-leg options orders.

⁴ Included in risk orders are: Total Touch Risk orders, Beat-the-VWAP orders, and Hedging Outperformance Orders.



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This information is also available at the following link:

http://www.citibank.com/icg/about_us/reg_disclosures.html