



U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5000
Facsimile: (202) 418-5538

Division of
Enforcement

NON-PROSECUTION AGREEMENT

The U.S. Commodity Futures Trading Commission's Division of Enforcement ("Division") investigated whether there were possible violations of the Commodity Exchange Act ("Act") and/or Commission Regulations ("Regulations"). Specifically, the Division investigated, *inter alia*, whether Citigroup Global Markets Inc., and its agents, employees, and affiliates ("Citigroup"), engaged in conduct known to the trade as "spoofing" in the U.S. Treasuries futures markets and whether Citigroup failed to properly supervise its agents and employees with respect to this conduct in 2011 and 2012 ("Investigation"). Shlomo Salant ("Salant") and the U.S. Commodity Futures Trading Commission ("Commission") enter into the following terms and conditions of a non-prosecution agreement ("Agreement") in connection with the Investigation and any other related enforcement litigation or proceeding to which the Commission is a party (together, the "Proceedings"):

The Commission enters into this Agreement based, in part, on Salant's timely and substantial cooperation in the Investigation; his immediate willingness to accept responsibility for his misconduct, as described herein; the material assistance he provided to the Division in the Proceedings, including identifying specific misconduct at Citigroup; and the absence of a history of prior misconduct by Salant.

I. Term

1. Salant understands and agrees that the provisions of this Agreement are in full force and effect from January 31, 2017 to the termination of the Proceedings or two years from the beginning date of the Agreement whichever is later ("Agreement Period"), unless expressly stated otherwise.

II. Cooperation

2. Salant agrees to cooperate fully and truthfully in the Proceedings, as directed by the Division's staff. Salant likewise agrees to cooperate fully and truthfully, as directed by the Division's staff, in any official investigation or proceeding by any other federal or state authority or a self-regulatory organization related to the Investigation and the factual statements that are part of this Agreement ("Other Proceedings"). The full, truthful, and continuing cooperation of Salant shall include, but not be limited to:

- a. preserving and producing to the Commission in a responsive and prompt manner, as requested by the Division's staff, all non-privileged documents, information, and other materials wherever located, in the possession, custody, or control of Salant;

- b. utilizing his knowledge and skill to explain transactions, interpret information and terminology, or identify new and productive lines of inquiry, as requested by the Division's staff;
- c. preparing and appearing for interviews and testimony, at such times and places and as requested by the Division's staff;
- d. responding completely and truthfully to all inquiries and interviews, as requested by the Division's staff;
- e. identifying and authenticating documents, executing affidavits or declarations, and testifying completely and truthfully at depositions, trial, and other judicial proceedings;
- f. accepting service by mail, electronic mail, or facsimile transmission of notices or subpoenas for documents and/or testimony at depositions, hearings, or trials;
- g. appointing Salant's undersigned attorney as agent to receive service of such notices and subpoenas;
- h. waiving the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules in connection with requests or subpoenas of the Division's staff; and
- i. serving by hand delivery or by next-day mail all written notices and correspondence required by or related to this Agreement to the Director of the Division of Enforcement, U.S. Commodity Futures Trading Commission, 1155 21st Street, NW, Three Lafayette Centre, Washington, DC 20581, unless otherwise directed in writing by the Division's staff.

III. Statement of Facts

3. If this case had gone to trial, the Commission would have presented evidence sufficient to prove the facts set forth in Exhibit A, which Salant admits.

IV. Prohibitions and Undertakings

4. During the Agreement Period, Salant understands and agrees to comply with the following prohibitions:
- a. To refrain from violating the Act and/or Regulations; and
 - b. To refrain from violating the rules promulgated by any self-regulatory organization and any registered entity (as that term is defined in Section 1a(40) of the Act, 7 U.S.C. § 1a(40)).

5. During the Agreement Period, Salant understands and agrees to perform the following undertakings:

- a. provide written notification to the Division, within fourteen calendar days, if Salant has been charged or convicted of an offense by any other federal or state authority, or self-regulatory organization.
- b. provide written notification to the Division, within fourteen calendar days, if Salant has been questioned, a formal or informal complaint has been made against Salant, or disciplinary action has been taken against Salant, by any other federal, state, or self-regulatory organization.
- c. Salant will cooperate fully, as enumerated in Section I.

6. Notwithstanding the end of the Agreement Period, Salant understands and agrees that neither Salant nor any of Salant's successors and assigns, agents or employees under Salant's authority or control shall take any action or make any public statement denying, directly or indirectly, any aspect of this Agreement or creating, or tending to create, the impression that this Agreement, which includes the statements in Exhibit A, is without a factual basis; provided, however, that nothing in this provision shall affect Salant's (i) testimonial obligations, or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Salant and his successors and assigns shall undertake all steps necessary to ensure that all of Salant's agents and/or employees under Salant's authority or control understand and comply with this provision. If it is determined by the Division that a public statement by Salant, or by anyone under Salant's authority or control, contradicts in whole or in part this Agreement which includes the statements in Exhibit A, the Division, at its sole discretion, may recommend, and the Commission may bring, an action or proceeding against Salant in accordance with this Agreement.

7. Notwithstanding the end of the Agreement Period, before issuing any press release concerning this Agreement, Salant agrees to have the text of the release approved by the Division's staff.

V. Violation of the Agreement

8. Salant understands and agrees that it shall be a violation of this Agreement if Salant provides false or misleading information or materials in connection with the Proceedings or Other Proceedings if he knew or reasonably should have known the information or materials to be false or misleading. Providing false or misleading information or materials to the Commission also violates Section 6(c)(2) of the Act (7 U.S.C. § 9) and also may subject Salant to criminal penalties for providing false information to the U.S. Government (18 U.S.C. § 1001), providing false information to the Commission (Section 6(c)(2) of the Act, 7 U.S.C. § 9), contempt (18 U.S.C. §§ 401-402), perjury (18 U.S.C. § 1621), making false statements or declarations in court proceedings (18 U.S.C. § 1623), and/or obstructing justice (18 U.S.C. § 1503 *et seq.*). Further, providing false, fictitious, or fraudulent information to a registered entity, board of trade, swap data repository, or futures association designated or registered under the

Act violates, and may also subject Salant to criminal penalties pursuant to Section 9(a)(4) of the Act (7 U.S.C. § 13).

9. Salant understands and agrees that it shall be a violation of this Agreement if Salant violates the Act and/or Regulations during the Agreement Period.

10. Salant understands and agrees that should the Division in its sole discretion determine that Salant failed to comply with any of the Prohibitions or Undertakings of this Agreement, the Division may recommend an enforcement action against Salant for violations of the Act and/or Regulations, including, but not limited to, the substantive offenses relating to the Investigation. In such circumstances, the Division will exercise its discretion whether to notify Salant or Salant's counsel of a recommended enforcement action and whether to provide an opportunity for Salant to make a submission consistent with the procedures set forth in Appendix A to Part 11 of the Regulations, 17 C.F.R. pt. 11, app. A. Moreover, nothing in this Agreement limits the Division's discretion to recommend to the Commission or the Commission's authority to bring an enforcement action against Salant for violations not arising from this Investigation or for future violations of the Act and/or Regulations, without notice, to protect the public interest.

11. Salant understands and agrees that in the event the Commission does bring an enforcement action against Salant following Salant's violation of this Agreement, any documents, statements, information, testimony, or evidence provided by Salant during the Proceedings and Other Proceedings, as well as any leads derived therefrom, may be used against Salant.

12. Salant understands and agrees that any enforcement action brought by the Commission following Salant's violation of the Agreement may be commenced against Salant, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement of such action, provided that, applying any and all previously executed tolling agreements, the action would not have been time-barred by the applicable statute of limitations if brought on the date of the execution of this Agreement. Salant will not assert any claim or defense based on the passage of time from the date of this Agreement to the commencement of any action or proceeding against Salant authorized, instituted, or brought by or on behalf of the Commission or to which the Commission is a party arising out of the Investigation, including any sanction or relief that may be imposed therein, regardless of whether such claim or defense is constitutional, statutory (including any statute of limitations), or equitable (including laches or other equitable doctrines). It is further understood and agreed that a separate tolling agreement is not required to give effect to this paragraph.

13. If Salant violates this Agreement, Salant agrees not to dispute, contest, or contradict the factual statements in Exhibit A as admissions pursuant to Federal Rule of Evidence 801(d)(2), or their admissibility, in any future action or proceeding against Salant or any action or proceeding to which the Commission is a party.

VI. Compliance with Agreement

14. Subject to the full, truthful, and continuing cooperation of Salant, as described above, and compliance with all Prohibitions and Undertakings in this Agreement, as described above, the Commission will not bring any enforcement action against Salant arising from the Investigation. This Agreement should not, however, be deemed an exoneration of Salant or be construed as a finding by the Commission or the Division that no violations of the Act and/or Commission Regulations have occurred.

15. Salant understands and agrees that this Agreement does not constitute a grant of immunity by the Commission, nor is it any other form of final disposition.

16. Salant understands and agrees that this Agreement does not bind any other federal or state authority or any self-regulatory organization. The Division may, at its discretion, issue a letter to other federal or state authorities or self-regulatory organizations detailing the cooperation of Salant during the Proceedings or Other Proceedings, upon Salant's written request.

17. This Agreement does not limit or otherwise affect any understandings or conditions in any agreements between Salant and any other federal or state authority or any self-regulatory organization, and any agreements between Salant and any other federal or state authority or any self-regulatory organization do not limit or otherwise affect the understandings and conditions set forth in this Agreement.

18. Salant understands and agrees that the Agreement only applies to enforcement actions arising from the Investigation and does not provide protection for any other violations or for any individual or entity other than Salant.

VII. Voluntary Agreement

19. Salant's decision to enter into this Agreement is freely and voluntarily made and is not the result of force, threats, assurances, promises, or representations other than those contained in this Agreement.

20. Salant has read and understands this Agreement. Furthermore, Salant has reviewed all legal and factual aspects of this matter with Salant's attorney and is fully satisfied with that attorney's legal representation. Salant has thoroughly reviewed this Agreement with his attorney and has received satisfactory explanations concerning each paragraph of the Agreement. After conferring with his attorney and considering all available alternatives, Salant has made a knowing decision to enter into the Agreement.

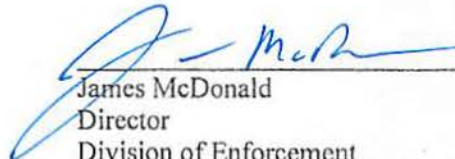
VIII. Entirety of Agreement

21. This Agreement constitutes the entire agreement between the Commission and Salant, and supersedes all prior understandings, if any, whether oral or written, relating to the subject matter herein.
22. This Agreement cannot be modified except in writing, signed by Salant and an authorized representative of the Commission.
23. In the event an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring the Commission or Salant by virtue of the authorship of any of the provisions of the Agreement.
24. This Agreement may be executed by the parties to it in counterparts, with each counterpart constituting the entire Agreement.

* * *

6/28/17

Date



James McDonald

Director

Division of Enforcement

U.S. COMMODITY FUTURES TRADING
COMMISSION

AGREED AND CONSENTED TO:

6/12/17

Date

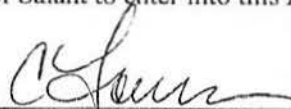


Shlomo Salant

I am counsel for Shlomo Salant in this case. I have carefully reviewed this Agreement with Salant. To my knowledge, the decision of Salant to enter into this Agreement is informed and voluntary.

6/13/17

Date



Chip Loewenson

250 West 55th Street

New York, NY 10019-9601

(212) 468-8000

EXHIBIT A

Statement of Facts

1. Salant worked for Citigroup Global Markets Inc. ("Citigroup") from 2008 to 2015, trading, among other things, U.S. Treasury futures and cash products on the U.S. Treasury desk at Citigroup beginning in August 2009.
2. From shortly after August 2009 through 2011, Salant traded five- and ten-year U.S. Treasury futures and cash products with a senior trader. To learn how to do his job, Salant was expected to sit with the senior trader and observe and ask questions. Salant learned, among other things, how the senior trader marked his trades and assessed risk for purposes of determining when to execute or hedge a trade.
3. By early 2012, Salant began trading off-the-run two- and three-year U.S. Treasury futures and cash products. At the time, Salant was the only trader for those financial instruments. In or around May 2012, Salant began trading all of the on-the-run U.S. Treasury futures and cash products across the entire curve with the head trader on the desk.
4. During his time at Citigroup, Salant devised a strategy that he believed would cause his orders to be filled at favorable prices, in a timely manner—specifically, by placing large orders on the opposite side of the market from smaller orders that Salant wanted to trade and quickly cancelling the large orders before they were executed. In these scenarios, the large orders were entered with the intent to cancel before execution.
5. From at least July 16, 2011 through 2012, Salant employed this trading strategy approximately 35 times. Each time, Salant entered a large brief order on the opposite side of the same or correlated market as the smaller order he wanted to trade. Salant believed that order book imbalance was one factor that algorithmic traders looked at to predict the direction of the market and that placing a large order on one side of the market that created or increased market imbalance would induce an algorithmic trader to trade with Salant's smaller order on the other side of the market. Salant engaged in spoofing (*i.e.*, bidding or offering with the intent to cancel the bid or offer before execution) to get his smaller orders on the opposite side of the same or correlated market filled (and filled more quickly) at the prices he wanted.
6. On one occasion prior to 2011, a large order placed by Salant—that he did not intend to execute—traded and resulted in a loss. At that time, Salant reported this incident to the then-head of Citigroup's U.S. Treasury desk, the same person with whom Salant traded the five- and ten-year sectors. To Salant's knowledge, the head of the desk did nothing besides telling Salant not to do it again.
7. In January 2012, a trader in Tokyo covering Citigroup's U.S. Treasury desk employed a strategy similar to Salant's. One of the large orders placed by this trader (4,000 futures contracts in the ten-year)—which the trader did not intend to execute—traded and resulted in a loss. Salant discussed this incident with the Tokyo trader and

told him that an order for 4,000 contracts was a lot to place in such an illiquid market. Salant also mentioned that he had previously done the same thing using an order of 1,000 contracts. Salant suggested to the trader in Tokyo that he not do it again.

8. In October 2013, Salant was interviewed by the CME during which he admitted to the misconduct described above. Salant admitted to the same in testimony with the CFTC in April 2015.

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