

SEC Rule 607 Disclosure

Rule 607 of Regulation NMS requires broker-dealers to disclose, upon opening a new customer account and on an annual basis thereafter: (i) their policies regarding payment for order flow, including a statement as to whether any payment for order flow is received for routing customer orders and a detailed description of the nature of the compensation received; and (ii) their policies for determining, in the absence of specific customer instructions, where to route customer orders that are the subject of payment for order flow, including a description of the extent to which orders can be executed at prices superior to the National Best Bid / Offer (“NBBO”).

Certain venues offer cash credits or rebates for orders that provide liquidity to their books and charge explicit fees for orders that extract liquidity from their books. Other venues are inverted, meaning they offer those benefits for orders that remove liquidity from their books and charge fees for orders that provide liquidity to their books. Citigroup Global Markets Inc. (“CGMI”) routes orders to exchanges that provide these programs and may be eligible for these benefits under the relevant exchange rules. For any execution, customers of CGMI may request that CGMI identify the venue on which their transactions have been executed, and advise whether CGMI netted a rebate from such venue during the relevant time period. CGMI’s routing decisions are based on a number of factors, including but not limited to, price, liquidity, venue reliability, cost of execution, likelihood of execution and potential for price improvement.

CGMI also operates an agency routing business for certain Over the Counter (OTC) equities. That business known as (“Citi Order Routing Engine” or “CORE”) provides payment to other broker dealers for order flow in OTC stocks. That compensation is generally in the form of cash payments. CGMI routes those orders to various OTC market makers that pay CGMI for that order flow.

CGMI may also collect payment on orders that are transacted for certain unaffiliated broker-dealers, via the SEC-approved mandatory marketing fee programs adopted by U.S. options exchanges. CGMI’s affiliate broker-dealer, Citigroup Derivative Markets Inc. (“CDMI”), acts as a market maker or specialist on most U.S. options exchanges. CDMI stands to profit by trading as an options market maker and/or specialist with order flow received from CGMI.

The Firm provides its practices in accordance with SEC Rule 607 to its customers through the Firm’s website, which is available at http://www.citibank.com/icg/about_us/reg_disclosures.html.

In addition, the Firm sends the Rule 607 disclosure to its customers in a yearly mailing and upon the opening of a new account.