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Citigroup Details How Trader Set Off Turmoil

By David Benoit
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A Citigroup Inc. trader who sent European stock indexes into free fall last month was working from home and went through several alerts before his order went live, people familiar with the matter said.

The bank was able to quickly cancel some trades, but is facing about $50 million in losses, one of the people said.

On May 2, the trader in London, working at home on a bank holiday, entered a wrong figure while trying to place an order for a client, the people said.

Chaos ensued. Trading was halted momentarily in several markets after major stock indexes plunged for a few minutes in Europe.

"One of our traders made an error when inputting a transaction," Citigroup said last month. "Within minutes, we identified the error and corrected it."

Bloomberg reported earlier on the expected size of the bank's loss.

The loss from reimbursing clients wouldn't be material to the bank. Citi's equity-trading operation brought in $1.5 billion in revenue in the first quarter.

But the mistake comes at a delicate time. Citigroup is under a regulatory order to improve the **technology** and risk-management systems that protect the bank and customers, a multibillion-dollar project that is demanding the time and effort of senior managers.

Several top executives in Citigroup's markets division have left this year, including its co-head Carey Lathrop and a onetime co-head of equities, Dan Keegan.

The fact the trader was at home could also inflame debate across Wall Street about the future of work. Citigroup has taken a more progressive tack about remote work than other banks.

Citigroup doesn't think working from home led to the trading mistake, a person familiar with the matter said.

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Citigroup Spurs 'Flash Crash' in European Markets

By Anna Hirtenstein and David Benoit
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Several European stock markets suffered a "flash crash" on Monday morning following sell orders by Citigroup Inc., according to people familiar with the matter.

Trading was halted momentarily in several markets after major stock indexes plunged for a few minutes just before 10 a.m. Central European time. Stocks in the Nordic region were hit the hardest, though other European stocks tumbled briefly on a day when share prices around the globe declined.

Nasdaq and Euronext NV, which operate stock exchanges across the region, said they are investigating the cause. Nasdaq said it hasn't seen any reason to cancel trades.

Citigroup is working with the exchanges to determine what happened and why, one person said.

"This morning one of our traders made an error when inputting a transaction," a Citigroup spokeswoman said in a statement late Monday. "Within minutes, we identified the error and corrected it."

The nature and extent of the sales by Citigroup weren't immediately clear.

Investors thought the incident may have been caused by human error, known in industry parlance as a "fat finger."

Sweden's benchmark index, the OMX Stockholm All-Share, fell nearly 8% before largely rebounding. Denmark's equivalent index fell over 6% around the same time and also mostly recovered. Both closed down around 2%.

Markets run by Amsterdam-based Euronext also tumbled before largely recovering. The Dutch AEX index fell 3% and Belgium's BEL20 declined over 5%. France's CAC40 fell 3%. These indexes ended the day down more than 1%.

Euronext temporarily halted trading to try to lower the impact on markets, according to a spokesman. Nasdaq said it used circuit breakers in the immediate aftermath of the crash on major stocks on Nordic exchanges, including Kone Oyj and Stora Enso Oyj.

Fat-finger trades can be costly. In 2009, an oil trader on a bender placed around $520 million of trades for crude oil, saddling his company with $10 million in losses. In 2012, financial-services firm Knight Capital lost $440 million from a computer-trading glitch that entered millions of trades in less than an hour.

Citigroup has a history of untimely errors. In 2020, it was ordered by regulators to clean up systems meant to safeguard the bank and its clients and fined $400 million. It is spending billions of dollars to transform its **technology** and inner workings, a cost that has investors anxious. Chief Executive Jane Fraser has said it is the bank's top priority to get it right.

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