The FSA said the bank failed to adequately supervise its traders and conduct its business with "due skill, care and diligence." But Citigroup wasn't charged with market manipulation, a more serious offense. "We did look at that issue thoroughly but didn't find evidence that they'd set out to manipulate the markets," David Cliffe, an FSA spokesman, said.

Citigroup isn't out of the woods yet. Probes are continuing in Belgium and Portugal, while Italy's markets regulator has passed the matter to magistrates for further investigation. Citigroup said it is cooperating fully with those investigations.

The agency added that the trades "caused a temporary disruption" on bond-trading platforms and "a sharp drop in bond prices." Citigroup Chief Executive Charles Prince later called the trades "knuckle-headed."

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Citigroup argued that while there may have been some short-term disruption on the MTS electronic bond-trading platform in Milan because of the trades, they didn't disrupt wider European government-bond markets. Nor was the aim of the strategy to be "intentionally disruptive," said William Mills, chairman and chief executive of corporate and investment banking for Citigroup in Europe, the Middle East and Africa.

The conclusion of the FSA's investigation is a big step for Citigroup toward putting the bond-trade fiasco behind it. Authorities in Germany and Spain also have either cleared the bank of wrongdoing or declined to bring any charges against it.

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