SIDLEY AUSTIN LLP
SIDLEY

SIDLEY AUSTIN LLP
60 STATE STREET
36TH FLOOR
BOSTON, MA 02109
+1 617 223 0300
+1 617 223 0301 FAX

emarino@sidley.com
(617) 223 0362

BEIJING
BOSTON
BRUSSELS
CENTURY CITY
CHICAGO
DALLAS
GENEVA
HONG KONG
HOUSTON
LONDON
LOS ANGELES
MUNICH
NEW YORK
PALO ALTO
SAN FRANCISCO
SHANGHAI
SINGAPORE
SYDNEY
TOKYO
WASHINGTON, D.C.

FOUNDED 1866

January 17, 2017

By E-mail and Overnight Courier

Timothy Henseler, Esq.
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: In the Matter of Citigroup Global Markets, Inc.

Dear Mr. Henseler:

We are writing on behalf of our clients Citigroup Inc. ("Citigroup") and Citigroup Global Markets Holdings Inc. ("CGMHI") (collectively, "Citi") in connection with the anticipated settlement of the above-captioned administrative proceeding ("Proceeding") brought against Citigroup's wholly-owned indirect subsidiary, Citigroup Global Markets, Inc. ("CGMI"), by the U.S. Securities and Exchange Commission ("SEC" or "Commission"). CGMI is a registered broker-dealer and investment adviser with the Commission.

Citigroup is a publicly-traded company listed on the New York Stock Exchange (NYSE:C) and is a reporting company under the Securities Exchange Act of 1934, as amended ("Exchange Act"). Citigroup qualifies as a "well-known seasoned issuer" ("WKSI") as defined in Rule 405 under the Securities Act of 1933, as amended ("Securities Act"). CGMHI is a wholly-owned subsidiary of Citigroup, and securities issued by CGMHI are fully and unconditionally guaranteed by Citigroup.

Citi respectfully requests a waiver from the Commission or the Division of Corporation Finance ("Division"), acting pursuant to its delegated authority, determining that it is not necessary under the circumstances that Citi be considered an "ineligible issuer," as defined in Rule 405 under the Securities Act, as a result of the Commission order arising from the Proceeding (the "Order"), which is described below. Consistent with the framework outlined in the Division's *Revised Statement on Well-Known Seasoned Issuer Waivers* (April 24, 2014) ("Revised Statement"), we respectfully submit that there is good cause for the Commission or the Division, acting pursuant to delegated authority, to grant the requested waiver, as discussed below. Citi requests that this determination be effective upon the entry of the Order.

BACKGROUND

Accordingly, CGMI and the staff of the Division of Enforcement are in the process of formalizing the settlement that will include an offer of settlement in which, solely for the purpose of proceedings brought by or on behalf of the Commission or to which the Commission is a party, CGMI will consent to the entry of an Order without admitting or denying the matter set forth in the Order, except the jurisdiction of the Commission and the subject matter of the proceeding.

The Order will find violations of the federal securities laws by CGMI in connection with a FX trading program known as Alpha, which was developed by CGMI and followed by customers of Morgan Stanley Smith Barney LLC ("MSSB"). The Order will find that CGMI misled MSSB customers by failing to adequately disclose that investors could be placed into the program using substantially more leverage than was disclosed and that mark-ups would be charged on each trade.

Under the terms of the Order, the Commission will:

(i) require CGMI to cease and desist from committing or causing any violations or any future violations of Sections 17(a)(2) of the Securities Act; and

(ii) require CGMI to pay disgorgement of $624,458.27, prejudgment interest of $89,277.34, and a civil monetary penalty in the amount of $2,250,000.00.

DISCUSSION

A WKSI is eligible to utilize significant reforms in the securities offering and communication processes that the Commission adopted in 2005.[1] These reforms have changed the way corporate finance transactions for larger issuers are planned, brought to market and executed. Among other things, a WKSI can register securities for offer and sale under an automatic shelf registration statement, which becomes effective upon filing and is also eligible for the other benefits of the streamlined registration process, such as the ability to file automatically effective post-effective amendments to register additional or new types of securities and pay registration filing fees on a "pay as you go" basis. Furthermore, a WKSI is also able to communicate more freely than a non-WKSI during the offering process, including through the use of free writing prospectuses.

[1] *See* Securities Offering Reform, Securities Act Release No. 8591, Exchange Act Release No. 52,056, Investment Company Act Release No. 26,993, 70 Fed. Reg. 44,722, 44,790 (Aug. 3, 2005).

The Commission also created another category of issuer under Rule 405 - the "ineligible issuer." A company cannot qualify as a WKSI if it is an "ineligible issuer." Accordingly, a company that becomes an ineligible issuer loses all of the benefits bestowed on a WKSI, including, and most importantly, the ability to utilize an automatic shelf registration statement and post-effective amendments thereto and to use free writing prospectuses (except in very limited circumstances). Rule 405 deems an issuer ineligible when, among other things, "[w]ithin the past three years . . . the issuer or any entity that at the time was a subsidiary of the issuer was made the subject of any judicial or administrative decree or order arising out of a governmental action that: (A) prohibits certain conduct or activities regarding, including future violations of, the anti-fraud provisions of the federal securities laws; (B) requires that the person cease and desist from violating the anti-fraud provisions of the federal securities laws; or (C) determines that the person violated the anti-fraud provisions of the federal securities."[2] An ineligible issuer is excluded from the category of "well-known seasoned issuer" and is thus prohibited from taking advantage of the significant securities offering reforms referred to above.

The entry of the Order against CGMI would make Citi an ineligible issuer under Rule 405 for a period of three years, absent a determination by the Commission or the Division, pursuant to delegated authority, to the contrary.

Securities Act Rule 405 authorizes the Commission to determine, "upon a showing of good cause, that it is not necessary under the circumstances that the issuer be considered an ineligible issuer."[3] In the Revised Statement, the Division stated that it will consider the following factors in determining whether to grant a waiver:

- the nature of the violation and whether it involved disclosure for which the issuer or any of its subsidiaries was responsible or calls into question the ability of the issuer to produce reliable disclosure currently and in the future;
- whether the alleged misconduct involved a criminal conviction or scienter-based violation;
- who was responsible for the misconduct and the duration of the misconduct;
- what remedial steps the issuer took; and

[2] 17 C.F.R. 230.405(1)(vi).

[3] 17 C.F.R. 230.405(2).

- the impact if the waiver request is denied.

For the reasons set forth below, we respectfully submit that there is good cause for the Commission and/or the Division to determine that granting the waiver would be consistent with the public interest and the protection of investors.

REASONS FOR GRANTING A WAIVER

Under the facts and circumstances of this action and considering the conduct involved as described in the Order, Citi respectfully submits that granting Citi a waiver from ineligible issuer status is in the public interest and that according ineligible issuer status on Citi is not necessary for the protection of investors. In making this request, Citi has carefully considered the Revised Statement and, as discussed in more detail below, believes that the granting of the waiver request would be consistent with the policy statement.

A. *The Nature of the Violations and Whether the Violation Casts Doubt on the Ability of the Issuer to Produce Reliable Disclosures to Investors*

The conduct described in the Order does not pertain to any disclosures provided by Citi in documents filed with the Commission and does not involve any intentional misconduct by Citi or CGMI. As discussed above, the conduct described in the Order involves CGMI's failure to adequately disclose that investors could be placed into the Alpha program using substantially more leverage than was disclosed and that mark-ups would be charged on each trade. The conduct involved only CGMI – an indirect subsidiary of Citigroup – and involved only one of CGMI's programs. The conduct addressed in the Order does not pertain to activities undertaken by Citi in connection with Citi's role as an issuer of securities (or any disclosure related thereto). No conduct by Citi and no conduct in respect of Citi's disclosures are implicated. Furthermore, the individuals who were arguably involved in the conduct described in the Order were not involved in any of Citi's disclosures.

The disclosure violation described in the Order does not pertain to activities undertaken by Citi in connection with Citi's role as an issuer of securities (or any disclosure related thereto) or otherwise involve fraud in connection with Citi's offerings of its own securities. The violations in the Order do not involve misstatements or omissions in Citi's disclosures and do not call into question the reliability of Citi's disclosure or its ability to produce reliable disclosure in the future. Furthermore, the Order does not find that Citi's disclosure controls and procedures or filings with the Commission during this time period were deficient.

Accordingly, the violations described in the Order do not call into question the ability of Citi to provide reliable disclosure currently and in the future.

B. The Order is Not Criminal in Nature and Does Not Involve Scienter-Based Fraud

The Revised Statement indicates that the Division "will review whether the conduct involved a criminal conviction or scienter-based violation as opposed to a civil or administrative non-scienter based violation."[4] The Order does not involve a criminal conviction and does not state that CGMI acted with scienter or intent to defraud. The conduct occurred at a subsidiary level and none of the violations described in the Order are scienter-based. Rather, the Order charges a violation of Section 17(a)(2) of the Securities Act, which violation can be established by a showing of negligence.

C. The Persons Responsible for the Misconduct and the Duration of the Misconduct

The conduct at issue in the Order neither involves Citi – the issuer – nor any allegations related to public disclosures of Citi. No current or former employees of CGMI, Citi or their affiliates have been charged in this matter, and the Commission did not allege that any members of the board of directors or senior management of Citi, CGMI or their affiliates engaged in any deliberate misconduct or were aware of violative conduct or ignored any warning signs or "red flags" regarding the conduct. Furthermore, the Order will not make any findings that suggest the conduct described in the Order involved the senior management of CGMI, Citi or their affiliates. Rather, the employees in the FX Value Added Products Group or on the sales desk marketing FX services who were even arguably involved in the statements the Order will find to have been misleading did not hold positions higher than that of vice president or director, in one instance, and only one such person supervised others. The above referenced persons have separated from CGMI and its affiliates.

The conduct in the Order occurred almost five years ago and was of a limited duration – from August 2010 until July 2011. The Order will find that CGMI personnel and MSSB financial advisors pitched the Alpha program to investors and, in some instances, CGMI personnel led presentations in which MSSB financial advisors participated. The Order will also find that, in other instances, MSSB financial advisors pitched the Alpha program themselves using written materials that CGMI had created. The written materials regarding the Alpha program did not contain all of the details of the program and such details were not otherwise conveyed to MSSB customers. As discussed below, CGMI discontinued the Alpha program in December 2011 – well before the commencement of the SEC's investigation regarding the program.[5]

---

[4] *See* Revised Statement.

[5] The Alpha program was discontinued for business reasons.

D. Remedial Steps

CGMI maintains robust policies and procedures related to the use of marketing or promotional materials and requires that all promotional or marketing materials be reviewed and approved by local legal and/or compliance prior to their use. In December 2011, on its own initiative, CGMI discontinued the Alpha program at issue in the Order. Over the last five years, CGMI has improved its processes for approval of programs like the Alpha program, including the disclosures related thereto. These new and/or enhanced processes are intended to help prevent conduct such as that in the Alpha program from occurring in the future.

1. Benchmark and Index Governance Committee

In response to new industry and regulatory standards on financial benchmarks, Citigroup has taken steps to strengthen its internal control framework over the development, maintenance, calculation, and publication of quantitative indices, including the establishment of a Benchmark and Index Governance Committee (the "IGC"). The IGC is focused on managing risk (including operational risk) associated with administration of certain of Citigroup's quantitative indices and has been mandated to provide internal oversight of such indices including reviewing, scrutinizing and challenging all aspects of index design, the integrity of the index determination process and relevant control frameworks relating to such indices. Therefore, if a business unit within CGMI is seeking to conduct business that is index-related (*e.g.*, a program like Alpha), such business must go through the IGC. Pursuant to its Charter, the IGC may also delegate certain work streams to one or more working groups, the composition of which is determined by the IGC, and could include working groups formed to develop input to procedures to be approved at the IGC level, focusing on areas such as trading signals, for example. The IGC maintains a set of Index Governance Procedures, which sets out certain procedural guidelines relating to such oversight by the IGC. Further, the IGC may escalate any significant matter and/or material issue relating to one or more indices to the Citigroup Benchmark Steering Committee, a separate committee responsible for providing oversight on Citigroup index administration and submission activities more broadly. The quantitative indices overseen by the IGC are subject to a periodic review process.

If a program similar to the Alpha program were proposed today and the related index or trading signals were determined to be a financial benchmark, then, regardless of which Citigroup Legal vehicle is the booking entity (*i.e.*, whether CGMI, or otherwise) it will be subject to Citigroup's Global Financial Benchmark Administration Policy ("Benchmark Policy"). Pursuant to the Benchmark Policy, Citigroup is required to establish an oversight function responsible for the oversight of Citigroup's Benchmark Administration activity through the IGC (or any other committee mandated to carry out oversight of such activity). The terms of reference for the IGC are generally guided by index governance standards set by the IOSCO Principles and issues

considered by the Committee include, among others, the objective of the index or trading signal and how the methodology seeks to achieve the objective, key assumptions and associated key risks, distribution (including target market), the extent of methodology disclosure (including all material components and risks, such as, but not limited to leverage, fees and deductions (including any notional execution costs or spread charges embedded within an index or trading signal)), inputs (whether these are based on third party inputs or internal pricing inputs), and management of potential conflicts of interest between an index and products proposed to be linked to that index.

The composition of the IGC is such that it provides a balanced representation of a range of internal stakeholders (including, among other control functions, Legal, Compliance, Model Validation, Market Risk, US Bank Regulatory) when considering Benchmark related matters (including the launch of a new index or trading signal) and is designed to mitigate any potential conflicts of interest. The IGC is expected to regularly report its deliberations to the Citigroup Benchmark Steering Committee (the "BSG") and may escalate any significant matter and/or material issue relating to benchmarks to the BSG, comprised of representatives from Markets and Securities Services business and associated risk and control functions (including Internal Audit). The BSG is responsible for providing broad oversight of Citigroup's benchmark related and associated activities (*e.g.,* overseeing formulation and distribution of standard governance and control frameworks attributable to benchmark activities).

The fully constituted IGC first held a meeting in January 2015 and has been convened on a regular basis to discuss benchmark related issues since.

2. Training

Pursuant to the Benchmark Policy referenced above, all personnel involved in Benchmark Administration must complete Benchmark Policy training. Refresher training is provided on an annual basis.

Furthermore, CGMI employees who are subject to the annual training requirements of the Financial Industry Regulatory Authority ("FINRA") or the Municipal Securities Rulemaking Board ("MSRB") ("Markets Employees") are required to attend an annual compliance meeting. The annual compliance meeting covers a variety of topics, including sections related to compliance with CGMI's policies and procedures regarding communications with the public and the obligation to follow proper channels within CGMI when new products are proposed to ensure that they are properly reviewed and approved prior to the commencement of the new activities.

E. Previous Actions

As the staff is aware, Citigroup has previously been granted waivers regarding its WKSI status in the following instances: (a) CGMI's settlement with the Commission on May 31, 2006 in connection with the marketing and sale of auction rate securities; (b) CGMI's settlement with the Commission on December 23, 2008 in connection with the marketing and sale of auction rate securities; (c) CGMI's settlement with the Commission on September 26, 2014 in connection with its 2007 marketing of a collateralized debt obligation structured by CGMI; (d) Citicorp's entry of a plea agreement with the U.S. Department of Justice on May 20, 2015 in connection with an antitrust violation arising from the behavior of a foreign exchange trader; (e) CGMI's settlement with the Commission on June 18, 2015 in connection with its self-reported failures to conduct adequate due diligence when underwriting certain municipal securities offerings; (f) CGMI and Citigroup Alternative Investments LLC's settlement with the Commission on August 17, 2015 in connection with the marketing of two alternative investment hedge funds; and (g) CGMI's settlement with the Commission on August 19, 2015 in connection with CGMI's monitoring of trading activity and the inadvertent routing of certain advisory orders to one of CGMI's affiliated market makers.

A prior settlement, in 2010, involved the reliability of Citigroup's disclosures. There, Citigroup itself (not CGMI or another affiliate) entered into a settlement with the Commission in connection with alleged material misstatements in Citigroup's disclosures filed with the Commission about exposure to sub-prime mortgages. As a result, Citigroup was deemed an ineligible issuer, and lost its WKSI status.[6] In connection with the settlement, Citigroup agreed to comply with certain undertakings, all of which were already in place at the time of the settlement, related to its policies, practices, and procedures concerning the disclosure of its earnings and other information related to its financial performance in quarterly press releases, including (i) maintaining a Disclosure Committee and a set of controls and procedures for that committee; (ii) maintaining an Earnings Subcommittee of the Disclosure Committee; (iii) requiring certain individuals to sign and date Statements of Accountability prior to release of Citigroup's quarterly earnings information; and (iv) quarterly execution by the Disclosure Committee of a certification regarding the effectiveness of Citigroup's disclosure controls and procedures. These practices and policies remain in place and Citigroup regained WKSI status in late 2013 at the end of the three-year period specified in Securities Act Rule 405.

The conduct at issue in the Order predates the resolution of the majority of the matters discussed above and there is no relationship between the Alpha program discussed in the Order

[6] *See* Securities and Exchange Commission v. Citigroup Inc., 1:10-cv-01277 (D.D.C. Oct. 19, 2010).

and any of the actions underlying the above-referenced waiver requests. The conduct that was the subject of the above-referenced waiver requests and the conduct in this matter do not relate to Citigroup's conduct as an issuer of securities and does not call into question Citigroup's ability to make accurate and reliable disclosures. In addition, CGMI has discontinued the Alpha program and taken steps that would have helped to prevent such conduct from recurring.

F. Impact on Issuer if Request is Denied

The Division's Revised Statement indicates that it will "assess whether the loss of WKSI status would be a disproportionate hardship in light of the nature of the issuer's conduct."[7] Given that the conduct described in the Order did not involve Citi (the issuer), was of a limited duration, occurred over five years ago, and has since been discontinued, and taking into account the monetary fines imposed on CGMI and the remedial measures described above, we respectfully submit that the impact of Citi being designated an ineligible issuer would be unduly disproportionate and severe.

Citigroup is a global financial institution that relies on automatic shelf registration statements (the "WKSI shelf") (and automatic post-effective amendments thereto, as necessary) to conduct its day-to-day business transactions, including frequent offers and sales registered under the WKSI shelf. The loss of Citi's status as an eligible issuer could, as described in more detail below, have an impact on Citi's ability to continue to raise capital and conduct its operations, particularly in light of ongoing regulatory changes impacting Citigroup. In addition, many Citi institutional and retail clients seek to purchase investment products that are structured to meet the specific investment goals of those clients. These structured products are securities that are often sold in offerings registered with the SEC using Citi's WKSI shelf, as described further below. Consequently, the ability to avail itself of automatic shelf registration and the other benefits available to a WKSI, including the use of free writing prospectuses, is extremely important to Citi's ability to conduct its operations and operate client-facing businesses.

As an ineligible issuer, Citi would, among other things, lose the ability to:

- file automatic shelf registration statements to register an indeterminate amount of securities;

- offer additional securities of the classes covered by a registration statement without filing a new registration statement;

[7] *See* Revised Statement.

- use free writing prospectuses other than one that contains only a description of the terms of the offered securities or the offering itself;

- allow Citi to include certain information omitted from the registration statement at the time of effectiveness through the filing of prospectus supplements or incorporated Exchange Act reports;

- take advantage of the "pay as you go" filing fee payment process; and

- qualify a new indenture under the Trust Indenture Act of 1939, if needed, without filing or having the Commission declare effective a new registration statement.

Citi currently has on file a WKSI shelf on Form S-3 that registers indeterminate amounts of multiple classes of securities. Since November 2013, Citigroup has issued a variety of securities that are registered under the WKSI shelf, including unsecured senior or subordinated debt securities and preferred stock and related depositary shares, and has the ability to issue its common stock, common stock warrants, index warrants, stock purchase contracts, and stock purchase units off the WKSI shelf. Since regaining its WKSI status in November 2013, Citigroup has issued off the WKSI shelf approximately $12.5 billion in principal amount of regulatory capital securities (in the form of preferred stock represented by depositary shares), approximately 47% of the principal amount of all regulatory capital securities issued by Citigroup in that period. In that same period, the value of all securities issued by Citigroup off the WKSI shelf was approximately $89.5 billion in approximately 850 offerings. Furthermore, approximately 73% of total aggregate principal amount of all Citigroup securities (including benchmark and structured products), with appropriate FX applied for non-US issuances, were issued off the WKSI shelf. These figures demonstrate the importance of the WKSI shelf to Citigroup in meeting its capital, funding and business requirements.

In connection with those approximately 850 public offerings, approximately 383 free writing prospectuses ("FWPs") were utilized, approximately 80% for offerings of structured notes under a medium-term note ("MTN") program. Approximately 43% of these MTN FWPs consisted of marketing materials that could not be used for investors' benefit by an ineligible issuer without modification. When Citigroup was subject to a WKSI disqualification it was not able to utilize such FWPs and therefore its marketing efforts were substantially impaired. Moreover, many of these MTN offerings are distributed through third-party distributors. These distributors often produce their own MTN FWPs and may object to being limited to only those FWPs available to ineligible issuers. This limitation may cause third-party distributors to no longer offer Citigroup MTNs to their clients and may result in a loss of business opportunity for Citigroup.

Further, as an ineligible issuer, Citi would lose significant flexibility, most importantly the ability to register additional types of securities, or to register additional entities as issuers, not currently covered by the WKSI shelf by filing a new registration statement or post-effective amendment that becomes immediately effective. The adverse market and issuer impact of the potential loss of flexibility with respect to new types of securities or adding new entities as issuers is particularly important to Citi in light of regulatory and market conditions and uncertainties that continue to significantly transform the landscape for financial institutions like Citi.

As one example, in December 2016, the Board of Governors of the Federal Reserve (the "Federal Reserve") issued a final rule on "total loss-absorbing capacity" ("TLAC") and eligible external long-term debt ("LTD"), which requires institutions such as Citigroup to maintain minimum levels of each. The final rules disqualify from eligible external LTD any debt securities that permit acceleration for reasons other than insolvency of the issuer or non-payment of principal or interest that continues for 30 days, as well as securities not governed by U.S. law. Debt that is issued prior to December 31, 2016 that includes otherwise impermissible acceleration provisions or are governed by non-U.S. law is grandfathered by the final rules, and can count towards an institution's minimum eligible external LTD requirements. Additionally, pursuant to the final rules' "clean holding company" requirements, no short-term debt is permitted to be issued by the parent bank holding company (Citigroup) and there is a limitation on the amount of third-party debt at the parent holding company level that is not TLAC eligible. The final rules become effective on January 1, 2019.

Additionally, the Federal Reserve's proposed rules on TLAC and LTD issued in October 2015 included a provision that would prohibit U.S. bank holding companies that are GSIBs from issuing short term notes and other types of structured products, which is also consistent with feedback Citigroup and other peer institutions have received as part of the Federal Reserve and FDIC's guidance pursuant to required resolution planning. As a result, in March 2016, CGMHI was added as an issuer of such products through a post-effective amendment to the WKSI shelf, which became immediately effective upon filing as a result of Citigroup's WKSI status. Thus, no disruption to the ability to issue structured products occurred, which could not have been achieved if Citi had been an ineligible issuer. While the final TLAC rules provide for grandfathering of existing, outstanding LTD debt as of December 31, 2016, uncertainty still currently exists as to the amount of Citigroup's debt securities that will benefit from the grandfathering provision. As a result, at the time of this letter it is difficult to quantify the amount of Citigroup's outstanding external eligible LTD and measure it against the minimum requirement applicable to Citigroup. Accordingly, Citigroup will be required to issue additional amounts of debt in a limited amount of time. If Citi became an ineligible issuer, it would need to register a definite amount of securities under its shelf registration statement, which illustrates another reason the flexibility afforded by a WKSI shelf is important to Citi.

In addition, under the annual stress tests administered by the Federal Reserve, the parameters and requirements of which change annually, significant capital buffers, above the regulatory minimum levels, are required for financial institutions to be able to withstand a severe economic downturn hypothesized by the Federal Reserve for purposes of the stress tests. The Federal Reserve has recently indicated that a risk-based capital surcharge upon U.S. bank holding companies that are identified as global systemically important bank holding companies ("GSIB"), including Citigroup, would likely be included in the annual stress tests. While the Federal Reserve has indicated that the GSIB surcharge may not be added on a "dollar-for-dollar" basis, inclusion of Citigroup's GSIB surcharge (currently 3.5%) would *substantially* increase the amount of capital Citigroup must hold in order to pass the annual stress tests and thus be able to return capital to its shareholders. As such, there continues to be significant uncertainty as to how much capital Citigroup will need to hold in order to meet Federal Reserve expectations, and the time period in which Citigroup will have to raise such capital.

Further, although qualifying regulatory capital currently generally consists of common equity, preferred equity and certain subordinated debt, given all of the changes to Citigroup's capital, liquidity and similar requirements, it is possible that capital raising efforts going forward will involve the issuance of new types of securities. The ongoing uncertainty regarding Citigroup's regulatory requirements and potential capital needs, such as the GSIB surcharge described above, could impose additional needs on Citi to access the capital markets, including through the use of securities with characteristics that are not yet known and therefore are difficult to anticipate in a shelf registration statement. "File and launch" for the public offering of new securities has developed as the market standard for large issuers since the advent of the Commission's securities offering reform in 2005. As an ineligible issuer, by the time Citi may be able to enter the market (*i.e.*, after it files an amendment to its non-WKSI shelf registration statement subject to staff review and approval), the market could be saturated, there may not be the same level of demand or pricing terms may have become disadvantageous.

Finally, as the SEC and staff are aware, under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Federal Reserve has imposed, and has the authority to impose further, prudential standards on financial institutions. These standards include rules relating to heightened capital, leverage and liquidity standards. This authority includes the potential to impose "counter-cyclical" capital buffers at any time based "on a range of macroeconomic, financial, and supervisory information indicating an increase in systemic risk," which if imposed, would increase Citi's capital needs.

* * *

In sum, Citi respectfully submits that, based on the factors set forth in the Revised Statement, the loss to Citi of certainty and flexibility if it were to become an ineligible issuer

would be a severe and disproportionate hardship to Citi in light of the nature of the conduct which is the subject of the Order. The violations described in the Order (i) did not involve Citi, but rather its subsidiary CGMI, (ii) are not criminal in nature and do not involve scienter-based fraud, (iii) involved a program which was discontinued by CGMI in December 2011, and (iv) perhaps more importantly, in no way relate to Citi's ability to produce reliable disclosures, including in its role as an issuer of securities. Accordingly, granting a waiver in this instance is consistent with the factors identified in the Revised Statement, the public interest and the protection of investors, and we respectfully request that the Commission and/or the Division make that determination.

Please do not hesitate to contact me at (617) 223-0362 should you have any questions regarding this request.

Very truly yours,

Elizabeth A. Marino

cc: Joshua E. Levine Esq.