



DIVISION OF  
CORPORATION FINANCE

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

May 31, 2006

Mr. Francis P. Barron  
Cravath, Swaine & Moore, LLP  
Worldwide Plaza  
825 Eighth Avenue  
New York, NY 10019-7475

Re: In the Matter of Certain Auction Practices File No. HO-9954  
**Citigroup, Inc.– Waiver Request of Ineligible Issuer Status under Rule 405 of  
the Securities Act**

Dear Mr. Barron:

This is in response to your letter dated May 23, 2006, written on behalf of Citigroup, Inc. (Company) and its subsidiary Citigroup Global Markets, Inc. (CGMI), and constituting an application for relief from the Company and CGMI being considered “ineligible issuers” under Rule 405(1)(vi) of the Securities Act of 1933 (Securities Act). The Company and CGMI each request relief from being considered an “ineligible issuer” under Rule 405, due to the entry on May 31, 2006, of a Commission Order (Order) pursuant to Section 8A of the Securities Act and Section 15(b) of the Securities Exchange Act of 1934, naming CGMI as a respondent. The Order finds, among other things, that CGMI violated Section 17(a)(2) of Securities Act and requires that CGMI cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) of the Securities Act.

Based on the facts and representations in your letter, and assuming the Company and CGMI will comply with the Order, the Commission, pursuant to delegated authority has determined that the Company and CGMI have made a showing of good cause under Rule 405(2) and that the Company and CGMI will not be considered ineligible issuers by reason of the entry of the Order. Specifically, we determined under these facts and representations that the Company and CGMI have shown that the terms of the Order were agreed to in a settlement prior to December 1, 2005. Accordingly, the relief described above from the Company and CGMI being ineligible issuers under Rule 405 of the Securities Act is hereby granted. Any different facts from those represented or non-compliance with the Order might require us to reach a different conclusion.

Sincerely,  
  
Mary Kosterlitz  
Chief, Office of Enforcement Liaison  
Division of Corporation Finance

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May 23, 2006

## In the Matter of Auction Rate Securities Practices (H0-09954)

Dear Ms. Kosterlitz:

We submit this letter on behalf of Citigroup, Inc. ("Citigroup") and its subsidiary, Citigroup Global Markets, Inc. ("CGMI"), which is a settling respondent in the above-captioned proceeding. The proceeding relates to certain practices involving auction-rate securities. A number of other investment-banking firms are also settling respondents in this proceeding.

Citigroup and CGMI hereby request, pursuant to amended Rule 405 under the Securities Act of 1933 (the "Securities Act"), that the Division of Corporation Finance, on behalf of the Commission, determine that Citigroup and CGMI shall not be considered "ineligible issuers" as defined in Rule 405 as a result of the order to be entered in the captioned proceeding. It is our understanding that the Division of Enforcement does not object to such a determination.

### Background

The Division of Enforcement and CGMI have reached an agreement in principle to settle this matter, and did so prior to December 1, 2005. CGMI submitted to the Commission, on February 15, 2005, an offer of settlement in which it consents to the entry of an order by the Commission in the captioned proceeding (the "Proposed Order"), without admitting or denying the matters set forth therein (except as to the jurisdiction of the Commission and the subject matter of the proceeding).

In the Proposed Order, if approved, the Commission will make findings, without admission or denial by CGMI, that CGMI willfully violated Section 17(a)(2) of the Securities Act in connection with certain practices relating to auction-rate securities. Based on these findings, the Proposed Order will require CGMI to cease and desist from

committing or causing any current or future violations of Section 17(a)(2) and to pay a civil money penalty of \$1.5 million.

### Discussion

Under a number of new Securities Act rules that became effective on December 1, 2005, a company that qualifies as a “well-known seasoned issuer” as defined in Rule 405 is eligible, among other things, to register securities for offer and sale under an “automatic shelf registration statement,” as so defined, and to have the benefits of a streamlined registration process under the Securities Act. Companies that qualify as well-known seasoned issuers are entitled to conduct registered offerings more easily and with substantially fewer restrictions. Pursuant to Rule 405, however, a company cannot qualify as a well-known seasoned issuer if it is an “ineligible issuer.” Similarly, the new Securities Act rules permit offering participants to communicate more freely during registered offerings by using free-writing prospectuses, but only if the issuer is not an ineligible issuer. Thus, being an ineligible issuer disqualifies an issuer from a number of significant benefits under the new rules.

Rule 405 defines “ineligible issuer” to include any issuer of securities with respect to which the following is true: “Within 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 . . . administrative . . . order arising out of a governmental action that . . . [r]equires that the person cease and desist from violating the anti-fraud provisions of the federal securities laws.” Notwithstanding the foregoing, however, paragraph (2) of the definition provides that an issuer “shall not be an ineligible issuer if the Commission determines, upon a showing of good cause, that it is not necessary under the circumstances that the issuer be considered an ineligible issuer.” The Commission has delegated authority to the Division of Corporation Finance to grant waivers from any of the ineligibility provisions of this definition.

The Proposed Order may be deemed to be an administrative order of the kind that would result in Citigroup and/or CGMI being an ineligible issuer for a period of three years after the Proposed Order is entered. This result would preclude Citigroup and/or CGMI from qualifying as a well-known seasoned issuer and having the benefit of automatic shelf registration and other provisions of the new rules for three years. This would be a significant detriment for Citigroup and CGMI. Citigroup is a very frequent issuer that offers and sells securities under a shelf registration statement in both one-off transactions and in an ongoing medium-term note program. For Citigroup, the shelf registration process provides an important means of access to the U.S. capital markets, and these markets are an essential source of funding for the company’s global operations. Consequently, automatic shelf registration and the other benefits available to a well-known seasoned issuer will be significant for Citigroup.

As described above, Rule 405 authorizes the Commission to determine that a company shall not be an ineligible issuer, notwithstanding the fact that the company is subject to an otherwise disqualifying administrative order. Citigroup and

CGMI believe that there is good cause, in their case, for the Commission to make such a determination with respect to the Order.

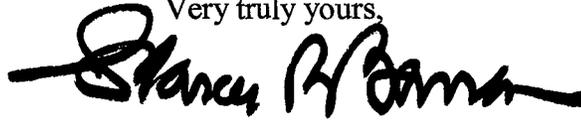
Citigroup and CGMI request that the Commission make this determination on the following grounds:

1. CGMI and the Staff of the Enforcement Division had agreed in principle to a settlement prior to December 1, 2005 (the effective date of Rule 405). We understand that the Division of Enforcement concurs.
2. CGMI has made an offer of settlement that will be submitted for review by the Commission. If the settlement is approved by the Commission, the Proposed Order will be entered by the Secretary.
3. Under these circumstances, CGMI should be treated as if it were the subject of an order agreed to in a settlement prior to December 1, 2005. Accordingly, Citigroup and CGMI should be determined not to be "ineligible issuers" within the meaning of Rule 405.

In light of the foregoing, we believe that disqualification of Citigroup or CGMI as an ineligible issuer is not necessary under the circumstances, either in the public interest or for the protection of investors, and that Citigroup and CGMI have shown good cause for the requested relief to be granted. Accordingly, we respectfully request that the Division of Corporation Finance, on behalf of the Commission, pursuant to Rule 405, determine that it is not necessary under the circumstances that Citigroup or CGMI be deemed an "ineligible issuer" within the meaning of Rule 405 as a result of the Proposed Order. We request that this determination be made for all purposes of the definition of "ineligible issuer," however it may now or hereafter be used under the federal securities laws and the rules thereunder.

If you have any questions regarding this request or need any further information, please do not hesitate to contact me at (212) 474-1506.

Very truly yours,

A handwritten signature in black ink, appearing to read "Francis P. Barron". The signature is fluid and cursive, with a long horizontal stroke at the end.

Francis P. Barron

Mary J. Kosterlitz  
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FEDERAL EXPRESS

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