



DIVISION OF
CORPORATION FINANCE

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

October 31, 2003

James E. Anderson, Esq.
Wilmer, Cutler & Pickering
2445 M Street, N.W.
Washington, D.C. 20037-1420

**Re: Citigroup Global Markets Inc., f/k/a Salomon Smith Barney Inc. – Waiver
Request under Regulation A and Rule 505 of Regulation D**

Dear Mr. Anderson:

This is in response to your letter dated October 31, 2003, written on behalf of Citigroup Global Markets Inc., f/k/a Salomon Smith Barney Inc. (the "Firm") and constituting an application for relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D under the Securities Act of 1933. You requested relief from disqualifications from exemptions available under Regulation A and Rule 505 of Regulation D that arise by virtue of the entry today of the injunction included in the Final Judgment in *Securities and Exchange Commission v. Citigroup Global Markets Inc., f/k/a Salomon Smith Barney Inc.* (S.D.N.Y.) (the "Final Judgment"). You also requested relief under those provisions from disqualifications that arise by virtue of the entry of an order, judgment or decree of a U.S. state or territorial court addressing the same conduct and based on the same facts as the conduct and facts addressed in the complaint that resulted in the entry of the Final Judgment.

For purposes of this letter, we have assumed as facts the representations set forth in your letter. We also have assumed that the Firm will comply with the Final Judgment and any such state or territorial court order, judgment or decree.

On the basis of your letter, the Commission, pursuant to delegated authority, has determined that you have made a showing of good cause under Rule 262 and Rule 505(b)(2)(iii)(C) that it is not necessary under the circumstances to deny the exemptions available under Regulation A and Rule 505 of Regulation D by reason of the entry of the Final Judgment or any state or territorial court injunction of the nature described above. Accordingly, the relief described above from the disqualifying provisions of Regulation A and Rule 505 of Regulation D is hereby granted.

Sincerely,

Mauri Osheroff
Associate Director, Regulatory Policy

WILMER, CUTLER & PICKERING

2445 M STREET, N.W.

WASHINGTON, DC 20037-1420

TELEPHONE +1 (202) 663 6000

FACSIMILE +1 (202) 663 6363

WWW.WILMER.COM

JAMES E. ANDERSON
(202) 663-6180
JAMES.ANDERSON@WILMER.COM

399 PARK AVENUE
NEW YORK, NY 10022-4697
TELEPHONE +1 (212) 230 8800
FACSIMILE +1 (212) 230 8888

100 LIGHT STREET
BALTIMORE, MD 21202-1036
TELEPHONE +1 (410) 986 2800
FACSIMILE +1 (410) 986 2828

1600 TYSONS BOULEVARD
10TH FLOOR
TYSONS CORNER, VA 22102-4859
TELEPHONE +1 (703) 251 9700
FACSIMILE +1 (703) 251 9797

4 CARLTON GARDENS
LONDON SW1Y6AA, ENGLAND
TELEPHONE +44 (0) 20 7872 1000
FACSIMILE +44 (0) 20 7839 3537

RUE DE LA LOI 15 WETSTRAAT
B-1040 BRUSSELS, BELGIUM
TELEPHONE +32 (0) 2 285 49 00
FACSIMILE +32 (0) 2 285 49 49

FRIEDRICHSTRASSE 95
D-10117 BERLIN, GERMANY
TELEPHONE +49 (30) 20 22 6400
FACSIMILE +49 (30) 20 22 6500

October 31, 2003

BY MESSENGER

Gerald J. Laporte, Esq.
Chief, Office of Small Business Policy
Division of Corporation Finance
U.S. Securities and Exchange Commission
450 Fifth Street, N.W., Room 3501
Washington, D.C. 20549-0310

Re: **In the Matter of Certain Analyst Conflicts of Interest, File No. HO-9479**

Dear Mr. Laporte:

We submit this letter on behalf of our client, Citigroup Global Markets Inc. (formerly known as Salomon Smith Barney Inc.) (the "Firm"), in connection with a settlement agreement (the "Settlement") arising out of a joint investigation by the Securities and Exchange Commission (the "Commission"), the New York Stock Exchange, Inc. (the "NYSE"), NASD Inc. (the "NASD"), and various U.S. state and territorial regulatory agencies (the "States") into research analyst conflicts of interest at the Firm and several other large investment banking firms.

The Firm below requests, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D of the Commission promulgated under the Securities Act of 1933 (the "Securities Act"), a waiver of any disqualification from exemptions under Regulation A and Rule 505 of Regulation D that may be applicable to the Firm and any of its affiliates as a result of the entry of the Final Judgment (as defined below) and any related disqualifying order, judgment, or decree of a state or territorial court addressing the same conduct as is addressed in the Complaint (as defined below). The Firm also requests that these waivers be granted effective upon the entry of the Final Judgment, or such state or territorial court order, judgment, or decree. It is our understanding that the Division of Enforcement does not object to the grant of the requested waivers by the Division of Corporation Finance.

BACKGROUND

The Commission, the NYSE, the NASD, and the States have engaged in settlement discussions with the Firm in connection with the joint investigation described above. As a result

of these discussions, the Commission has filed a complaint (the "Complaint") against the Firm in the United States District Court for the Southern District of New York (the "District Court") in a civil action captioned Securities and Exchange Commission v. Citigroup Global Markets Inc., f/k/a Salomon Smith Barney Inc. The Firm has executed a Consent of Defendant Citigroup Global Markets Inc., f/k/a/ Salomon Smith Barney Inc. (the "Consent") in which the Firm neither admits nor denies any of the allegations in the Complaint, except as to jurisdiction, but consents to the entry of a final judgment against the Firm by the District Court (the "Final Judgment"). The Final Judgment, among other things, enjoins the Firm, directly or through its officers, agents, servants, employees and attorneys, from violating Sections 15(c), 15(f), and 17(a) of the Securities Exchange Act of 1934 ("Exchange Act"), Rules 15c1-2 and 17a-3 thereunder, NASD Conduct Rules 2110, 2210, 3010, and 3110, and Rules 342, 401, 440, 472, and 476 of the NYSE. Additionally, the Final Judgment orders the Firm to make payments aggregating \$400,000,000 in settlement of the matters addressed in the Final Judgment, and to comply with the undertakings set forth in the Consent and in Addendum A to the Final Judgment.¹

DISCUSSION

The Firm understands that the entry of the Final Judgment could disqualify it and its affiliated entities from participating in certain offerings otherwise exempt under Regulation A and Rule 505 of Regulation D promulgated under the Securities Act, insofar as the Final Judgment may be deemed to cause the Firm to be subject to an order, judgment, or decree of a court of competent jurisdiction permanently enjoining the Firm from engaging in or continuing to engage in any conduct or practice in connection with the purchase or sale of a security, or arising out of the conduct of the business of an underwriter, broker, or dealer. The Commission has the authority to waive the Regulation A and Rule 505 of Regulation D exemption disqualifications upon a showing of good cause that such disqualifications are not necessary under the circumstances. See 17 C.F.R. §§ 230.262 and 230.505(b)(2)(iii)(C). The Firm requests that the Commission waive any disqualifying effects that the Final Judgment may have under Regulation A and Rule 505 of Regulation D with respect to the Firm or its affiliates on the following grounds:

1. The Firm's conduct addressed in the Final Judgment and alleged in the Complaint does not relate to offerings under Regulation A or D.
2. The Firm will undertake or has undertaken to improve and enhance its compliance and surveillance policies and procedures in a manner reasonably designed to ensure compliance

¹ The Firm has additionally entered into settlement agreements relating to the activities referred to in the Complaint with the relevant state and territorial agencies (the "State Settlement Agreements"). To the extent that any such State Settlement Agreement results in an order, judgment, or decree by a court of competent jurisdiction, the Firm intends this request to cover any resulting disqualifications under Regulation A and Rule 505 of Regulation D.

with the provisions of the Final Judgment as outlined in the Consent and in Addendum A to the Final Judgment.

3. The disqualification of the Firm from the exemptions under Regulation A and Rule 505 of Regulation D would, we believe, have an adverse impact on third parties that have retained the Firm and its affiliates in connection with transactions that rely on these exemptions.

4. The disqualification of the Firm from the exemptions available under Regulation A and Rule 505 of Regulation D would be unduly and disproportionately severe, given that: (i) the Final Judgment relates to activity which has already been addressed pursuant to recently adopted rules of the Commission, the NYSE, and the NASD and pursuant to the Consent and to Addendum A to the Final Judgment; and (ii) the Commission staff has negotiated a settlement with the Firm and reached a satisfactory conclusion to this matter that will require the Firm to make payments aggregating \$400,000,000 in settlement of the matters addressed in the Final Judgment and will require the Firm to make certain structural changes pursuant to the Consent and to Addendum A to the Final Judgment, as well as to make available to the Firm's customers certain research prepared by third party research providers.

In light of the foregoing, we believe that disqualification is not necessary, in the public interest or for the protection of investors, and that the Firm has shown good cause that relief should be granted. Accordingly, we respectfully request the Commission, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(c) of Regulation D, to waive, effective upon entry of the Final Judgment or any related disqualifying order, judgment, or decree of a U.S. state or territorial court based on the same facts and addressing the same conduct as is addressed in the Complaint, the disqualification provisions in Regulation A and Rule 505 of Regulation D to the extent they may be applicable to the Firm and any of its affiliates as a result of the entry of the Final Judgment and any such order, judgment, or decree.²

If you have any questions regarding this request, please contact Kevin P. McEnery of this office at 202/663-6596 or the undersigned at 202/663-6180.

Sincerely,

James E. Anderson/KAM

James E. Anderson

² We note in support of this request that the Commission has in other instances granted relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D for similar reasons. *See, e.g.*, Deutsche Asset Management, Inc., S.E.C. No-Action Letter (pub. avail. March 17, 2003); Credit Suisse First Boston Corporation, S.E.C. No-Action Letter (pub. avail. Jan. 29, 2002); Dain Rauscher, Incorporated, S.E.C. No-Action Letter (pub. avail. Sept 27, 2001); Legg Mason Wood Walker, Incorporated, S.E.C. No-Action Letter (pub. avail. June 11, 2001); Prudential Securities Inc., S.E.C. No-Action Letter (pub. avail. Jan 29, 2001).