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May 20, 2015

BY ELECTRONIC MAIL AND FEDERAL EXPRESS

Mary J. Kosterlitz, Esq.
Chief, Office of Enforcement Liaison
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: In the Matter of *United States of America v. Citicorp* (U.S. District Court,
District of Connecticut)
Waiver Request pursuant to Rule 405 of the Securities Act of 1933

Dear Ms. Kosterlitz:

We submit this letter on behalf of our client, Citigroup Inc. (“Citigroup” and, together with its subsidiaries, “Citi”), in connection with the resolution of the above referenced criminal investigation by the United States Department of Justice (“DOJ”). The resolution of this matter resulted in a plea agreement between Citicorp, a Delaware corporation and subsidiary of Citigroup, and the DOJ dated May 20, 2015 (the “Plea Agreement”).

Pursuant to Rule 405 (“Rule 405”) promulgated under the Securities Act of 1933 (the “Securities Act”), Citigroup hereby respectfully requests that the Director of the Division of Corporation Finance (“Director”), pursuant to the delegation of authority of the Securities and Exchange Commission (the “Commission”),¹ determine that for good cause shown it is not necessary under the circumstances that Citigroup be considered an “ineligible issuer” under Rule 405. Citigroup requests that this determination be effective immediately.

¹ 17 C.F.R. § 200.30-1(a)(10).

BACKGROUND

The DOJ has conducted an investigation of certain conduct and practices of Citi and other financial services firms in the FX spot market. To resolve the DOJ's investigation, Citicorp entered into the Plea Agreement, pursuant to which Citicorp has pleaded guilty to one count of an antitrust violation of 15 U.S.C. § 1. The Plea Agreement acknowledges that Citigroup has provided "substantial assistance" to the DOJ in carrying out its investigation.

As set forth in the Plea Agreement, from at least December 2007 and continuing to at least January 2013 (the "Relevant Period"), Citicorp, through one London-based euro/U.S. dollar ("EUR/USD") trader employed by Citibank, N.A. ("Citibank"), a subsidiary of Citicorp, and other traders at unrelated financial services firms acting as dealers in the FX spot market entered into and engaged in a conspiracy to fix, stabilize, maintain, increase or decrease the price of, and rig bids and offers for, the EUR/USD currency pair exchanged in the FX spot market by agreeing to eliminate competition in the purchase and sale of the EUR/USD currency pair in the United States and elsewhere (the "Conduct"). The Conduct included near daily conversations, some of which were in code, in an exclusive electronic chat room used by certain EUR/USD traders, including the EUR/USD trader employed by Citibank. The Conduct forms the basis for the DOJ's antitrust charge that Citicorp violated 15 U.S.C. § 1.

Under the terms of the Plea Agreement, the DOJ and Citicorp have agreed that the court should impose a sentence requiring Citicorp to pay a criminal fine of \$925 million. The Plea Agreement also provides for a three-year term of probation, with conditions to include, among other things, Citi's continued implementation of a compliance program designed to prevent and detect the Conduct throughout its operations, and Citi's further strengthening of its compliance and internal controls as required by other regulatory or enforcement agencies that have addressed the Conduct, including the U.S. Commodity Futures Trading Commission ("CFTC"), pursuant to its settlement with Citibank on November 11, 2014, requiring remedial measures to strengthen the control framework governing Citi's FX trading business (the "CFTC Order"); the U.S. Treasury Department's Office of the Comptroller of the Currency ("OCC"), pursuant to its settlement with Citibank on November 11, 2014, requiring remedial measures to improve the control framework governing Citi's wholesale trading and benchmark activities (the "OCC Order"); the U.K. Financial Conduct Authority ("FCA"), pursuant to its settlement with Citibank on November 11, 2014 (the "FCA Order"); and the U.S. Board of Governors of the Federal Reserve System (the "Federal Reserve"), pursuant to its settlement with Citigroup entered into concurrently with the DOJ resolution, requiring remedial measures to improve controls for FX trading and activities involving commodities and interest rate products (the "FRB Order").

DISCUSSION

Citigroup is an NYSE-listed company and files disclosure reports as required by the Securities Exchange Act of 1934 (the "Exchange Act"). As indicated in its most recent Annual Report on Form 10-K, Citigroup currently is a well-known seasoned issuer ("WKSI"). A WKSI is a category of issuer created under Rule 405 that is eligible for significant securities offering

reforms adopted by the Commission in 2005 that have changed the way corporate finance transactions for larger issuers are planned, brought to market and executed.² At the same time, the Commission created another category of issuer under Rule 405, the “ineligible issuer.” An ineligible issuer is excluded from being a WKSI and is thus prohibited from taking advantage of the significant securities offering reforms.

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 convicted of any felony or misdemeanor described in paragraphs (i) through (iv) of Section 15(b)(4)(B) of the Securities Exchange Act of 1934.” Paragraph (ii) of Section 15(b)(4)(B) of the Exchange Act includes a felony that “arises out of the conduct of the business of a . . . bank.” The plea entered into in connection with this matter makes Citigroup an ineligible issuer under Rule 405.

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 As noted above, the Commission has delegated the function of granting or denying such applications to the Director of the Division of Corporation Finance, whose assessment “focuses on how the conduct that gave rise to the ineligibility relates to the reliability of the issuer’s current and future disclosure and, if it does, what steps the issuer has taken to remediate any deficiencies.”⁴

As the Staff is aware, in 2010, Citigroup was deemed an ineligible issuer, and thus lost its WKSI status for the respective three-year period, because of its settlement with the Commission in connection with alleged material misstatements in its disclosures regarding Citigroup’s exposure to sub-prime mortgages.⁵ In connection with the settlement, Citigroup agreed to comply with certain undertakings 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. All of these disclosure policies, practices and procedures were already in place at the time of the settlement, and all remain in place today.

As the Staff is also aware, Citigroup has previously requested waivers regarding its WKSI status from the Division of Corporation Finance in connection with settlements involving its broker-dealer subsidiary, Citigroup Global Markets Inc. (“CGMI”). Waivers have previously been granted concerning (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

² 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).

³ Rule 405, 17 C.F.R. § 230.405.

⁴ Division of Corporation Finance “Revised Statement on Well-Known Seasoned Issuer Waivers,” April 24, 2014.

⁵ See *Securities and Exchange Commission v. Citigroup Inc.*, 1:10-cv-01277 (D.D.C. Oct. 19, 2010). Citigroup regained WKSI status in late 2013 at the end of the three-year period specified in Rule 405.

Commission on December 23, 2008 in connection with the marketing and sale of auction rate securities; and (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. Like the Conduct, described above and discussed in further detail below, none of the alleged conduct at issue in these matters related to the reliability of Citigroup's current or future disclosures. Further, these past matters do not in any way relate to the Conduct and any remedial steps taken in response to the alleged conduct at issue in these prior matters are not implicated by the Conduct.

REASONS FOR GRANTING A WAIVER

As more fully described below, Citigroup respectfully submits that the Conduct is unrelated to the activities at issue in this waiver request – the reliability of Citigroup's current and future disclosures. Thus, granting Citigroup a waiver from ineligible issuer status is in the public interest and according ineligible issuer status on Citigroup is not necessary for the protection of investors. In making this request, Citigroup has carefully considered the policy statement on the framework for well-known seasoned issuer waivers⁶ and, as discussed in more detail below, believes that the granting of the waiver request would be consistent with the policy statement.

Nature of the Conviction

No conduct by Citigroup and no conduct in respect of Citigroup's disclosures is implicated by the findings of the Plea Agreement. The conviction is an antitrust (not anti-fraud) violation arising from the behavior of one FX trader. Nothing was discovered during the related investigation that indicates Citigroup's disclosure controls and procedures were or are deficient. More specifically, the findings here are unrelated to and do not call into question Citigroup's ability to have produced reliable Exchange Act disclosures during the Relevant Period or its ability to produce such reliable disclosures now or in the future.

Responsibility for and Duration of the Violations

As noted above, Citicorp has pleaded guilty to an antitrust violation of 15 U.S.C. § 1 based on the actions of one EUR/USD trader employed by Citibank, who engaged in the Conduct. None of the senior management or directors of Citigroup were aware of the Conduct or ignored any warning signs or "red flags" regarding the Conduct. Moreover, the Conduct does not pertain to activities undertaken by officers or directors of Citigroup in connection with Citigroup's role as an issuer of securities or any disclosure related thereto.

Rather, the Conduct involved isolated acts by one employee that took place at a location removed from the Citigroup disclosure processes. The employee, a London-based EUR/USD trader, had minimal management responsibilities related to Citi's G10 Spot FX trading business

⁶ Division of Corporation Finance "Revised Statement on Well-Known Seasoned Issuer Waivers," April 24, 2014.

outside the United States; he was not an officer or director of Citigroup, nor did he have any involvement in or influence over Citigroup's periodic or other disclosures. Once senior management at Citigroup became aware of the misconduct, Citibank took prompt action to terminate the employee and to take other remedial actions.

Remedial Steps

Citi has implemented remedial measures to protect against conduct similar to the Conduct. Since the identification of potential misconduct in October 2013, Citi has fully cooperated with all regulators and authorities investigating this matter, including the DOJ, the CFTC, the FCA, the OCC and the Federal Reserve. The Plea Agreement acknowledges Citi's "substantial assistance" with the DOJ's investigation.

In March 2014, Citi proactively established a global Conduct Risk Program, designed to mitigate the exposure of Citi to conduct risk,⁷ including the risk of misconduct similar to that described in the Plea Agreement. As part of this program, in March 2015, Citi issued a Conduct Risk Policy setting forth the key elements of conduct risk, the procedures for identifying, managing and reporting it, and the roles and responsibilities of Citi's three lines of defense (front office, Compliance and Internal Audit) with regards to conduct risk.⁸

In February 2015, Markets⁹ launched a mandatory Conduct Risk Training Session for employees within Markets globally. The training is designed to share Citi's recent experiences with conduct risk-related matters within the Markets business, and to provide guidance, through work examples, on the actions employees should take when presented with certain situations. Through initiatives such as this training, and the Conduct Risk Program and Policy described above, Citi is committed to minimizing the risk posed by misconduct such as that addressed in the Plea Agreement.

On a wider scale, throughout 2014, Citi's senior management engaged in a broad effort to emphasize the importance of ethical conduct and integrity. As part of this effort, nearly 5,000 of Citi's most senior managers received in-person training designed to help them identify ethical challenges, foster ethical decision-making and underscore the importance of escalating issues. For 2015, Citi has adapted this training and is rolling it out to approximately 40,000 employees globally.

Looking forward, Citi has committed to continue to make significant changes to strengthen its governance structure and enhance the overall control environment in FX trading,

⁷ Generally, conduct risk is understood to be the risk that Citi's employees or agents may, intentionally or through negligence, harm customers, clients or the integrity of the markets, and thereby, the integrity of the organization.

⁸ Aspects of this program and policy are discussed in Citigroup's 2014 Annual Report on Form 10-K. See "Risk Factors" and "Managing Global Risk."

⁹ The Conduct took place in Citi's Foreign Exchange and Local Markets business, which is a business within Citi Markets. Markets is a division of Citi's Institutional Clients Group.

as well as other wholesale trading and benchmark activities. These efforts include (i) the establishment of a new Supervision and Controls Team within the Foreign Exchange and Local Markets business; (ii) the appointment of a Global Head of Markets Compliance to provide direction and oversight over the regional compliance personnel within Markets, and to coordinate global initiatives, best practices, policies and procedures and emerging issues in Markets; (iii) the establishment of a senior working group comprised of members of Markets, Compliance and Information Technology to coordinate initiatives that will focus on the development of enhanced tools designed to improve detection of market misconduct through transaction monitoring and communications surveillance; (iv) the establishment of and enhancements to transaction monitoring and communications surveillance processes in the jurisdictions in which Citibank engages in FX trading; and (v) enhancements to Citibank's compliance risk assessment and compliance testing procedures around controls for the detection and prevention of employee market misconduct in FX trading.

Moreover, Citi continues to undertake efforts to assess whether the conduct risks identified in FX trading are present in other trading activities and to identify other emerging conduct risks. For each conduct risk area, Citi has committed to identify opportunities for enhancements and/or remediation and to develop specific action plans that will build on the lessons learned from Citi's FX trading remediation work, as well as incorporate additional measures for non-FX trading businesses, as applicable.

The OCC Order and CFTC Order require certain remedial measures to be taken by Citi and periodic reports on the implementation of such measures to be provided. In March 2015, Citibank submitted the required reports to the OCC and the CFTC, regarding the remedial measures that it had taken and planned to take to comply with the respective orders, including measures related to identifying and addressing conflicts of interest regarding FX benchmark rate fixings, surveillance of communications, trade monitoring, audits, supervision, training, and escalation and reporting.

In connection with the FRB Order, Citi has committed to the continued implementation of additional improvements in its oversight, internal controls, compliance, risk management and audit programs for FX trading and related sales activities, as well as activities involving commodities and interest rate products where Citi acts as principal (collectively, the "Designated Market Activities"). As part of the FRB Order, Citi will prepare and submit plans to (i) improve senior management's oversight of Citi's compliance with applicable U.S. laws and regulations and applicable internal policies in connection with the Designated Market Activities; (ii) establish and enhance policies and procedures designed to strengthen Citi's internal controls and compliance program; and (iii) enhance its compliance risk management and internal audit programs. Citi will also undertake a review of applicable policies and procedures and an appropriate risk-focused sampling of other key controls for its firm-wide Designated Market Activities, the results of which will be submitted to the Federal Reserve.

Impact on Issuer

The Plea Agreement is the result of substantial negotiations between Citigroup and the DOJ. In Citigroup's view, applying ineligible issuer status to Citigroup would be disproportionately broad and severe given the non-disclosure-related conduct that is the subject of the Plea Agreement and would, in effect, impose an additional sanction that goes beyond the agreed-upon terms of resolution negotiated by Citigroup in good faith.

Citigroup is a frequent issuer of securities that are registered with the Commission and offered and sold under its current Form S-3 registration statement (the "WKSI shelf"). Since November 2013, Citigroup has issued a variety of securities that are registered under the WKSI shelf, including unsecured senior and subordinated debt securities and preferred stock and related depository 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 \$5.2 billion of regulatory capital securities (in the form of preferred stock represented by depository shares), approximately 56% of all regulatory capital securities issued by Citigroup in that period. In that same eighteen-month period, the value of all securities issued by Citigroup off the WKSI shelf was approximately \$28.3 billion in over 400 offerings. These figures demonstrate the importance of the WKSI shelf to Citigroup in meeting its capital, funding and regulatory requirements.

In connection with those 400+ public offerings, Citigroup utilized approximately 160 free writing prospectuses ("FWPs"), more than half for offerings of structured notes under Citigroup's medium-term note ("MTN") program. Approximately 45% of these MTN FWPs consisted of marketing materials that could not be used by an ineligible issuer without modification. Moreover, many of Citigroup's 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, significantly limiting this source of funding for Citigroup.

As an ineligible issuer, Citigroup would lose significant flexibility, most importantly the ability to register additional types of securities not 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 is particularly important to Citigroup in light of ongoing regulatory and market conditions and uncertainties that are significantly transforming the landscape for financial institutions like Citigroup. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Financial Reform Act"), the Federal Reserve has imposed, and has the authority to impose further, prudential standards on financial institutions. These standards include new rules relating to heightened capital, leverage and liquidity standards; many of these rules have only been recently finalized. Moreover, these new rules allow the U.S. bank regulators 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,” and certain of these regulators have indicated that they are considering higher capital buffers for institutions like Citigroup. Based on the final U.S. capital rules, adopted as recently as September 2014, the capital requirements for institutions such as Citigroup have been enhanced as of January 1, 2014, and will continue to be raised significantly through a phase-in that will last through 2018. In addition, over the next few years, the U.S. bank regulators and certain international bodies, such as the Financial Stability Board, are expected to recommend or impose further capital, liquidity or similar requirements on institutions such as Citigroup (e.g., “total loss absorbing capacity,” or TLAC), the outlines and impacts of which are not fully known.

Finally, 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 results of the stress tests could dictate additional capital needs. Although qualifying regulatory capital currently generally consists of common equity, preferred equity and certain subordinated debt, given all of the recent and potential future changes to Citigroup’s capital and liquidity requirements, it is likely that capital raising efforts going forward will involve the issuance of new types of securities. Implementation of a buffer requirement and uncertainty as to its design, as well as the other potential capital needs described above, could impose additional needs on Citigroup 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. Without a waiver of ineligible issuer status, by the time Citigroup 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.

* * * *

In sum, these facts support a conclusion that Citigroup can demonstrate and has demonstrated that ineligible issuer status is not necessary for the public interest or the protection of investors because, particularly in light of the nature of the Conduct and the remedial steps described above, the conduct giving rise to the ineligibility in no way calls into question the reliability of Citigroup's current and future disclosures. The facts also support a conclusion that the granting of a waiver would be entirely consistent with the guidelines for relief established in the framework most recently published by the Division of Corporation Finance.

Thus, Citigroup respectfully submits that, based on the factors set forth in the framework, the loss to Citigroup of certainty and flexibility if it were to become an ineligible issuer would be a disproportionate hardship and sanction in light of the nature of the Conduct. More importantly, because the Conduct does not relate to Citigroup's ability to produce reliable disclosures, including in its role as an issuer of securities, granting a waiver in this instance is consistent with the public interest and the protection of investors. We respectfully request the Director to make that determination.

Please contact me at 212-225-2864 or by email at jkarpf@cgsh.com if you should have any questions regarding this request.

Sincerely,



Jeffrey D. Karpf

cc: Julie Bell Lindsay, Citigroup Inc.
Joshua E. Levine, Citigroup Inc.