



DIVISION OF
CORPORATION FINANCE

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

October 19, 2010

Gail S. Ennis, Esq.
WilmerHale
1875 Pennsylvania Avenue, NW
Washington, DC 20006

**Re: SEC v. Citigroup Inc., Civil Action No. 1:10-cv-01277-ESH (District of Columbia)
Waiver Request under Regulation A and Rule 505 of Regulation D**

Dear Ms. Ennis:

This responds to your letter dated today, written on behalf of Citigroup Inc. ("Citigroup") 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 (the "Securities Act").

You requested relief from disqualifications from exemptions available under Regulation A and Rule 505 that arose by reason of the Final Judgment as to Citigroup entered on October 19, 2010 by the United States District Court for the District of Columbia in SEC v. Citigroup Inc., Civil Action No. 1:10-cv-01277-ESH (the "Judgment"). The Judgment, among other things, permanently restrains and enjoins Citigroup from violations of section 17(a)(2) of the Securities Act, section 13(a) of the Securities Exchange Act of 1934 ("Exchange Act") and rules 12b-20 and 13a-11 under the Exchange Act.

For purposes of this letter, we have assumed as facts the representations set forth in your letter and the findings supporting entry of the Judgment. We also have assumed that Citigroup will comply with the Judgment.

On the basis of your letter, I have determined that you have made showings of good cause under Rule 262 and Rule 505 that it is not necessary under the circumstances to deny the exemptions available under Regulation A and Rule 505 by reason of entry of the Judgment against Citigroup. Accordingly, pursuant to delegated authority, on behalf of the Division of Corporation Finance, I hereby grant relief from any disqualifications from exemptions otherwise available under Regulation A and Rule 505 that arose by reason of entry of the Judgment against Citigroup.

Very truly yours,

Gerald J. Laporte
Chief, Office of Small Business Policy

Gail S. Ennis

October 19, 2010

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FEDERAL EXPRESS

Gerald J. Laporte, Esq.
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U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-3628

Re: Securities and Exchange Commission v. Citigroup Inc., 1:10-CV-01277 (ESH) (D.D.C. October 8, 2010)
**Waiver Request under Rule 262 of
Regulation A and Rule 505 of Regulation D**

Dear Mr. Laporte:

This letter is submitted on behalf of our client, Citigroup Inc. ("Citigroup"), the settling defendant in the above-captioned civil proceeding. Citigroup hereby respectfully requests, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D of the Securities and Exchange Commission ("Commission") promulgated under the Securities Act of 1933 ("Securities Act"), waivers of any disqualifications of exemptions under Regulation A and Rule 505 of Regulation D that might be applicable to Citigroup and/or any of its affiliates as a result of the entry of the Judgment as to Citigroup (the "Judgment") on October 19, 2010, described below. It is our understanding that the Staff of the Division of Enforcement (the "Staff") does not object to the grant of the requested waivers.

BACKGROUND

The Staff engaged in settlement discussions with Citigroup in connection with the investigation that resulted in the above-captioned civil action alleging violations of Section 17(a)(2) of the Securities Act, Section 13(a) of the Securities Exchange Act of 1934 ("Exchange Act"), and Exchange Act Rules 12b-20 and 13a-11. As a result of these discussions, prior to the filing of the civil action, Citigroup executed a Consent to Entry of Final Judgment ("Consent") that was presented to the Commission. In the Consent, Citigroup agreed to consent to a Judgment without admitting or denying the matters set forth in the complaint in the civil action (other than those relating to the personal and subject matter jurisdiction of the district court over the action). The Judgment resolves the Staff's investigation into Citigroup earnings disclosures in July and October 2007 that included statements about the investment bank's exposure to

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subprime mortgages. The specific allegations are that Citigroup misled investors when it stated that it had reduced the investment bank's subprime exposure from \$24 billion at the end of 2006 to \$13 billion or slightly less than that amount, while, in fact, the investment bank's subprime exposure also included approximately \$43 billion of "super senior" tranches of subprime collateralized debt obligations and related instruments called "liquidity puts" that were believed to have very low risk. Under the terms of the Judgment, Citigroup is permanently enjoined from violating Section 17(a)(2) of the Securities Act, Section 13(a) of the Exchange Act, and Exchange Act Rules 12b-20 and 13a-11. Citigroup will also pay a civil monetary penalty of \$75 million.

DISCUSSION

Citigroup understands that the entry of the Judgment may disqualify it and its affiliated entities from relying on certain exemptions under Regulation A and Rule 505 of Regulation D promulgated under the Securities Act, because the Judgment will cause Citigroup to be subject to an order, judgment, or decree of a court of competent jurisdiction permanently enjoining it from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security or involving the making of any false filing with the Commission. See 17 C.F.R. § 230.262(a)(4). If the Judgment in fact so disqualifies it, Citigroup is concerned that, should it or any of its affiliates need to serve in the capacities subject to the disqualifications set forth in Rule 262, Citigroup and those of its issuer affiliates who rely upon or may rely upon these offering exemptions when issuing securities would be prohibited from doing so. The Commission has the authority to waive the Regulation A and 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).

Citigroup requests that the Commission waive any disqualifying effects that the Judgment may have under Regulation A and Rule 505 of Regulation D with respect to Citigroup or its issuer affiliates on the following grounds:

1. Citigroup's conduct addressed in the Judgment does not pertain to offerings under Regulation A or D.
2. Citigroup is a fundamentally different company from the one that existed in 2007, when the conduct that is the subject of the Judgment occurred. Pursuant to a major restructuring of the Company in early 2009, the assets that were at the center of the Staff's disclosure investigation have been moved to Citi Holdings — a segment of Citigroup that houses assets and businesses that have been deemed "non-core" and which it intends to sell or exit as quickly as practicable. Moreover, Citigroup's senior management has almost completely turned over since 2007. Citigroup has a new CEO, CFO, Chief Administrative Officer, and Chief Risk Officer. In addition, nine of the Company's fifteen directors are new since 2007. And finally, since 2007

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Citigroup has undertaken numerous steps to strengthen its risk management and control processes.

3. The disqualification of Citigroup and any of its issuer affiliates from relying on the exemptions under Regulation A and Rule 505 of Regulation D would be unduly and disproportionately severe given the nature of the violations addressed in the Judgment — none of which involve scienter-based conduct — and the extent to which disqualification may affect the business operations of Citigroup and those of its issuer affiliates by impairing their ability to issue securities pursuant to these exemptions to raise new capital or for other purposes.

4. The disqualification of Citigroup and its issuer affiliates from the exemptions may place Citigroup or its issuer affiliates at a competitive disadvantage with respect to third parties that might seek to invest in securities that rely on the regulatory exemptions. Moreover, the disqualification of Citigroup and its affiliates may have an adverse impact on third parties that have retained or will retain Citigroup and its affiliates in connection with transactions that rely on these exemptions.

5. The disqualification of Citigroup and its issuer affiliates from relying on the exemptions available under Regulation A and Rule 505 of Regulation D would be unduly and disproportionately severe, given the fact that the Staff has negotiated a settlement with Citigroup and reached a satisfactory conclusion to this matter that resulted in the issuance of an injunctive order compelling prospective compliance with specified federal securities laws and requiring the payment of \$75 million in civil monetary penalties. The Staff of the Division of Enforcement, which negotiated the settlement after a nearly three-year investigation, has no objection to the waiver being granted.

In light of the foregoing, we believe that disqualification is not necessary and that Citigroup has shown good cause that relief should be granted. Accordingly, we respectfully urge the Commission to waive the disqualification provisions in Regulation A and Rule 505 of Regulation D to the extent they may be applicable to Citigroup or any of its affiliates as a result of entry of the Judgment.¹

¹ We note in support of this request that the Commission has granted relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D for similar reasons or in similar circumstances. *See, e.g.*, General Electric Co., S.E.C. No-Action Letter (pub. avail. Aug. 11, 2009); Investools Inc., S.E.C. No-Action Letter (pub. avail. Dec. 16, 2009); A.G. Edwards & Sons, S.E.C. No-Action Letter (pub. avail. May 31, 2006) (waiver after Securities Act Section 17(a)(2) violation); Bear, Stearns & Co., S.E.C. No-Action Letter (pub. avail. May 31, 2006) (same); Goldman, Sachs & Co., S.E.C. No-Action Letter (pub. avail. May 31, 2006) (same).

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Please do not hesitate to call me at (202) 663-6014 regarding this request.

Sincerely yours, |

A handwritten signature in cursive script that reads "Gail S. Ennis". The signature is written in black ink and is positioned above the printed name.

Gail S. Ennis

cc: Laura Josephs, Esq., SEC Division of Enforcement