citigroup

Carl Howard
General Counsel
Bank Regulatory

Citigroup Inc.
425 Park Avenue
2nd Floor/Zone 2
New York, NY 10022

Tel 212.559.2938
Fax 212.793.4403
howardc@citigroup.com

June 15, 2006

Office of the Comptroller of the Currency
250 E Street, SW
Public Reference Room
Mail Stop 1-5
Washington, DC 20219
Attention: Docket No. 06-06
regs.comments@occ.treas.gov

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Attention: Docket No. OP-1254
regs.comments@federalreserve.gov

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Attention: Comments/OES
comments@fdic.gov

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attention: No. 2006-20
regs.comments@ots.treas.gov

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Attention: File No. S7-08-06
rule-comments@sec.gov

Re: Proposed Interagency Statement on Sound Practices Concerning Elevated Risk Complex Structured Finance Activities

Ladies and Gentlemen:

Citigroup Inc. ("Citigroup") appreciates the opportunity to comment on the proposed Interagency Statement on Sound Practices Concerning Elevated Risk Complex

Structured Finance Activities issued by the Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the Securities and Exchange Commission (collectively, the "Agencies"). 71 Fed. Reg. 28326 (May 16, 2006) (the "Proposed Statement").

We support the Agencies' proposal to provide guidance to financial institutions in developing internal controls and risk management procedures to identify and address the reputational, legal and other risks associated with complex structured finance transactions ("CSFTs"). We agree with the Agencies that financial institutions should have effective policies, procedures and systems in place to identify CSFTs that may involve heightened reputational and legal risk, to provide for a level of review that is commensurate with those risks, and to create a framework for managing and mitigating those risks.

We also appreciate the effort exerted by the Agencies in seeking and understanding the numerous comments provided to the Agencies in connection with the initial version of the Proposed Statement (69 Fed. Reg. 28980, May 19, 2004, the "Initial Statement"). Citigroup submitted its own comment on the Initial Statement and participated in the submission of comments by various trade associations. We commend the Agencies on their thoughtfulness in addressing the concerns of commenters on the Initial Statement. The Proposed Statement has been enhanced by clearer and more consistent guidance without sacrificing its key focus on guiding financial institutions in their development of robust processes to identify, manage and mitigate legal, reputational and other risks that may be present in particular CSFTs.

We also applaud the Agencies for continuing to recognize, as stated in the Proposed Statement, that "innovations in financial instruments have facilitated the structuring of cash flows and allocation of risk among creditors, borrowers and investors in efficient ways" and that structured finance transactions "serve important business purposes . . . [and] now are an essential part of U.S. and international capital markets." It is extremely important that regulators recognize that financial institutions must continue to solve legitimate complex financial and investment goals of clients with complex solutions. With complexity comes a broad range and varying degrees of risks – credit, market, operational, regulatory, legal and reputational. Such risks must be identified, mitigated and managed. Some transactions with high enough risks in one or more of these areas should be labeled as too risky and appropriately declined by financial institutions. In managing these various risks, financial institutions must be guided not only by legal and regulatory requirements and guidance, but also by the knowledge that their reputations depend to a significant degree on how they do so.

Thus, the purpose of the Proposed Statement, we believe, is fulfilled in this latest draft. As acknowledged in the Proposed Statement, complex and structured financial solutions remain "essential" to meeting clients' legitimate needs, but it is also essential that financial institutions manage the risks presented by such transactions in a manner that protects their reputation and franchise. The guidance lays out an appropriate framework for accomplishing these essential objectives.

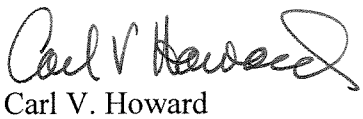
* * *

We also note that Citigroup has participated in the preparation of the joint comment letter by The Bond Market Association, the Securities Industry Association and the International Swaps and Derivatives Association, as well as in the response by The Clearing House, to the Proposed Statement and generally support the comments set out in each of those letters.

* * *

Should you have any comments or questions, please feel free to contact the undersigned at 212-559-2938.

Very Truly Yours,



Carl V. Howard
General Counsel – Bank Regulatory

cc: Michael S. Helfer
Edward F. Greene
Marisa Lago
Karen Kirchen
John Ramsay