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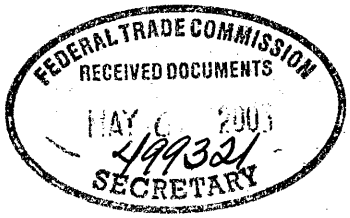


May 5, 2003

Federal Trade Commission
Office of the Secretary – Room 159
600 Pennsylvania Avenue
Washington, D.C. 20580

RE: Telemarketing Rulemaking – Revised Fee NPRM Comment
FTC File No.: R411001

Ladies and Gentlemen:

Citigroup welcomes the opportunity to comment on the Commission's revised proposal for fees on entities accessing the national do-not-call ("DNC") registry. Citigroup did not file a comment with respect to the prior proposal.

1. This revised proposal employs a more sound methodology for assessing DNC registry access fees, but it does raise a question for exempt sellers employing third party marketers.

Citigroup believes that this revised proposal is improved in two key areas. It is based on a more realistic assessment of the cost of implementing and administering a national DNC registry. In addition, it avoids the duplication of charging both third party marketers and sellers of products and services for the same access to the registry.

With respect to the assessment methodology, Citigroup believes it to be improved if for no other reason than it begins with a cost figure that is much more in line with the estimates that most knowledgeable observers have suggested for a national DNC registry. Citigroup notes that an annual fee in the amount of $7250 does not appear to be excessive for access to the nationwide DNC list, although the reasonableness of the fee depends on the number of business groups in a complex financial company, such as Citigroup, that the Commission will compel to pay separately for access to the national registry.

The Commission has also removed from the revised proposal the duplicative access fee for both the seller and the telemarketer acting on behalf of the seller. That is a significant improvement, particularly for those companies, such as Citigroup, that may employ more than one telemarketer for the same business. The proposal, however, does not address the issue of the telemarketer

acting on behalf of an exempt seller, such as a bank or insurance company. The Commission is clear in the Rule that it will assert jurisdiction over the telemarketer, but this fee proposal suggests that the telemarketer may not be able to purchases access to the DNC registry on its own behalf or on behalf of the exempt seller. Presumably, the exempt organization may voluntarily purchase access to the DNC registry for its third party telemarketer without the exempt organization subjecting itself to the jurisdiction of the Commission. Such a purchase, when made to assist a third party marketer under contract with the exempt seller, should not preclude the seller organization, should it choose not to comply voluntarily, from marketing directly.

There is a logical inconsistency with a requirement for an exempt seller to pay a fee and obtain an access number for use by a third party. At a minimum, it raises the issue whether such violations as may occur will be referenced against the access number of the exempt seller. The Commission should address explicitly the need for seller access and the implications for an exempt seller paying a fee for such access.

2. The Commission should amend its proposal to permit internally defined business units, such as affiliates or business divisions in the same line of business, to register as a single seller for access to the DNC list.

The revised proposal continues to be vague and burdensome in one significant respect. The *Federal Register* notice accompanying the revised proposal states (at 16241): "the Commission proposes to treat each separate division, subsidiary, or affiliate of a corporation as a separate seller for purposes of [the proposed fee provision of the Telemarketing Rule]." In the absence of additional clarification, it appears that the Commission may expect each legal vehicle, each subsidiary or affiliate, to purchase the DNC list if the legal entity engages in telemarketing. In fact, the proposal further subdivides legal entities and requires separate "divisions" of the same legal vehicle to purchase the list.

The proposal fails to provide any clear definition of the extent to which each separate corporate division, subsidiary or affiliate would be deemed to be a separate seller required to pay a fee for access to the DNC registry. Citigroup believes that the fee proposal should be clarified to take account of business units and to permit a company to group various legal entities engaged in the same business as a single seller. Absent legal entity grouping by business line, complex companies such as Citigroup could be required to pay hundreds of thousands of dollars of fees for access to the registry for scores of subsidiaries and "separate" divisions of subsidiaries. Moreover, even after paying excessive DNC registry fees, Citigroup would still have no assurance that it is in compliance with the fee schedule of the Telemarketing Rule ("the Rule").

Each legal entity is not a separate seller. Citigroup is a diversified financial holding company with subsidiaries that engage in a broad range of financial activities, including lending, leasing, insurance underwriting and brokerage, securities underwriting and dealing, trust, investment advisory and data processing activities. Citigroup has more than 1,900 subsidiaries throughout the world actively engaged in financial activities. Among its hundreds of subsidiaries in the

United States are commercial banks, federal savings banks, credit card banks, trust companies, industrial banks, securities broker-dealers, investment advisors, consumer finance companies, life insurance and annuity underwriters, mortgage companies and insurance agencies. Its subsidiaries or legal entities are often the result of licensing or regulatory requirements, tax concerns, a corporate legacy of mergers and acquisitions as well as business considerations. In many cases, therefore, legal entities do not reflect distinct business lines or the organizational or structural framework for the conduct of business activities.

As one example of the difficulty of a strict legal entity fee requirement, Citigroup points to its Primerica Financial Services group, which sells life insurance and annuities and mutual funds and makes mortgage and consumer loans. Primerica has 31 legal entities with the Primerica name, some national in scope and others organized by individual state. Citigroup also has six state insurance agencies operating under the Tower Square name, seven agencies operating under the name of SBHU Life Agency, eight SBS insurance agencies, 17 operating as AFSC Agency of a particular state, an Associates insurance agency, eight Commercial Credit insurance agencies, and several other entities engaged in insurance activities. This diversity of legal entities is found in consumer finance companies, as well, as a result of individual state licensing and registration. It is expensive and redundant to have a particular group of companies purchase access to the national DNC registry and then to be required to purchase access state by state for individual subsidiaries in that group. For Citigroup this process could then be repeated again and again for Primerica Insurance, for Travelers Insurance, for its CitiFinancial group, for CitiMortgage, for Smith Barney, etc.

Business divisions of a legal entity also may not be separate sellers. The revised fee proposal exacerbates this uncertainty when it suggests that legal vehicle purchase of access may not suffice and separate divisions within legal vehicles also may have to purchase access. This ambiguity and uncertainty may be demonstrated by reference to Citigroup's credit card business. Citi Cards in North America, a single business line in the Citigroup Consumer Group, is the industry leader with more than 120 million cards issued. Citigroup offers these cards through a very limited number of legal vehicles, primarily two credit card banks, Citibank South Dakota and Citibank USA. The Citi Cards business, however, can be divided by reference to the type of credit cards it issues. Under the terms of the fee proposal the Commission could determine that each card or type of card should be designated a separate "division" of the Citi Cards business requiring separate nationwide access to the DNC list and payment of a separate fee of $7250, even though there would be no business justification for this result.

Citi Cards offerings can be divided by reference to service interchange, i.e., Visa, Master Card or Diners Club. Such offerings also can be distinguished by affinity, as in the case of the Citi AAdvantage card through which the holder earns miles with American Airlines. Citi Cards can distinguish its card offerings by reference to the customer's credit limit or package of benefits or qualifications of the holder, as in the case of Citi Platinum Select. The distinction can be based on the private label, as in the case of a retailer's card or another bank's card actually issued by Citibank.

Companies should be permitted to designate a group of legal entities and business divisions in the same line of business as a single seller. The proposal, therefore, should recognize that multiple booking entities of the same business need not each purchase the list. Legal entities that are created in order to facilitate a sale of certain assets or in contemplation of securitizing assets or to facilitate internal corporate restructuring should not be required to purchase access to the DNC list. Duplicate legal entities, such as a recently acquired additional mortgage subsidiary, that must continue to operate separately for some period after acquisition for tax reasons, have no independent business objective and should not require duplicate access fees even though new products and services may be booked in these types of vehicles. Companies must be able to define separate sellers according to appropriate business lines.

Similarly, there must be some exemption for separate divisions of the same legal vehicle that is engaged in a single line of business. The Rule should not require multiple fees for access to the DNC registry for a single credit card entity on the basis that each credit card or type of card offered is a separate "division" of the business. It should not require separate fees for DNC list access for subprime and prime auto loans offered by the same entity or for mortgage loans generated by branches of the lender as opposed to independent brokers. At some level, multiple registrations based on legal vehicle structure or divisions within the same corporate entity are not justified as representative of truly separate and distinct sellers.

3. To avoid the difficulty in assessing separate lines of business or other appropriate definitions of separate sellers for purposes of this proposal, the Commission should consider a single registration for the most complex financial companies.

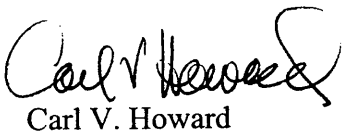
The Commission's primary justification for declining to permit affiliates to pay for access as a single seller was the need to spread the cost of the DNC registry among the largest number of sellers to avoid an undue burden on smaller businesses. The Commission could accomplish the same objective by setting a ceiling fee for any complex financial services company that would presume multiple subsidiary sellers. The primary aim of such a fee would not be to reduce the cost to the consolidated company purchasing access to the registry. Rather, such a process would avoid the need for the company to attempt to define those subsidiaries and divisions of subsidiaries that may be separate sellers. It would avoid the administrative burden of allocating marketing calls among multiple access codes. Most importantly, however, would be the safe harbor it would provide to those complex companies trying to define the scores of separate sellers that may be derived from the separate subsidiaries and the separate business divisions within a subsidiary company.

Such an approach would also simplify the interpretive and enforcement roles of the Commission. It would not have to monitor the subsidiary companies formed de novo, acquired from a third party, or created by internal restructuring, perhaps as often as monthly, by complex financial companies. It would also have a more predictable funding base comprised, in part, of single fee complex financial companies for which the fees would not fluctuate from year to year with the number of subsidiaries and divisions that qualified as individual sellers.

The fee schedule, particularly if it involves a substantial maximum fee for complex financial companies, should be subject to notice and comment prior to increases by the Commission. At some point such access costs become important to the marketing strategy of particular lines of business.

If you have questions with respect to this comment or require additional information or clarification, please call the undersigned at 212-559-2938 or James E. Scott, Senior Regulatory Counsel, at 212-559-2485.

Very truly yours,



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