August 8, 2008

VIA EMAIL
Ms. Florence E. Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-9303

RE: Proposed Rules for Nationally Recognized Statistical Rating Organizations (Release No. 34-57967, File No. S7-13-08)

Dear Ms. Harmon:

Citigroup Global Markets Inc.[1] ("Citi") is pleased to have this opportunity to comment on the proposed rule amendments (the "Proposal") by the Securities and Exchange Commission (the "SEC") for nationally recognized statistical rating agencies ("NRSROs"). Citi participated in the drafting of the letter by the Securities Industry and Financial Markets Association ("SIFMA"), dated July 24, 2008 (the "SIFMA Letter"), and the letter by the American Securitization Forum ("ASF"), dated July 25, 2008 (the "ASF Letter", and together with the SIFMA Letter, the "Association Letters") in response to the Proposal. Citi generally supports the responses in the Association Letters. We are writing separately to highlight certain issues in regard to the Proposal.

Disclosure of Information Used in Rating ABS

The Proposal would require NRSROs to make publicly available any information (the "Paragraph (a)(3) Information") they received from the issuer, underwriter, sponsor, depositor or trustee, and "used" by the NRSROs in determining the initial credit rating for, or in undertaking credit rating surveillance of, an asset-backed or mortgage-backed security (the "Rule 17g-5 Proposal"). The Rule 17g-5 Proposal explicitly notes that Paragraph (a)(3) Information when publicly disclosed, would be a "written communication" subject to restrictions and liability under the securities laws. The stated purpose of such disclosure is to "create the opportunity for other NRSROs to use the information to rate the instrument" so that the "resulting 'unsolicited ratings'

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[1] Citigroup Global Markets Inc. ("Citi") is registered as a broker-dealer in all 50 states, the District of Columbia, Puerto Rico, Taiwan and Guam, and is also a primary dealer in U.S. Treasury securities and a member of the principal United States futures exchanges. Citi is a wholly owned subsidiary of Citigroup Inc. Citigroup Inc. is a diversified global financial services holding company whose businesses provide a broad range of financial services to consumer and corporate clients as well as governments and other institutions. Citigroup has some 200 million client accounts and does business in more than 100 countries. Additional information may be found at www.citigroup.com or www.citi.com.

could be used by market participants to evaluate the ratings issued by the NRSRO hired to rate the product and, in turn, potentially expose an NRSRO whose ratings were influenced by the desire to gain favor with the arranger."

Citi supports enhanced transparency and disclosure in connection with the ratings process; however, for the reasons stated in the ASF Letter, Citi opposes the Rule 17g-5 Proposal. In particular, forcing disclosure of and imposing securities law obligations and liability upon information prepared for a fundamentally different purpose than securities offering disclosure is not appropriate, particularly where such information is (i) generated by third parties, (ii) is confidential, proprietary or otherwise not meant for general distribution, or (iii) is not material to investors. This proposal would likely chill communications between deal participants and NRSROs. We further disagree with the Rule 17g-5 Proposal for the reasons set forth below.

Citi believes that at least three of the assumptions underlying the Rule 17g-5 Proposal are flawed. The first flawed assumption is that the dissemination of Paragraph (a)(3) Information would allow a non-engaged NRSRO to issue an unsolicited rating equivalent in quality to a rating produced by an engaged NRSRO. As noted in the Association Letters, such non-engaged NRSROs would not have the benefit of full participation in the transaction. In particular, non-engaged NRSROs would lack the iterative discourse among deal parties and would not have the opportunity to ask questions or request additional data; consequently, the non-engaged NRSROs would necessarily have a lesser understanding of the transaction. In this respect, to the extent that the Paragraph (a)(3) Information differs from the information normally used by the non-engaged NRSROs on their own transactions, the unsolicited ratings may differ solely because the non-engaged NRSRO did not have access to such information rather than any real difference in expected performance. Also, a non-engaged NRSRO would not have the incentive to be as thorough or careful in its unsolicited ratings process because it does not have any contractual obligation, responsibility or duty to ensure the quality of its unsolicited rating. Finally, there is no assurance that the non-engaged NRSRO will maintain surveillance on the unsolicited ratings or update the unsolicited rating over time.

The second flawed assumption is that disparities among ratings will enable the market to determine the existence of undue influence. Rating processes are not uniform among NRSROs. Each NRSRO has its own proprietary model and results necessarily will vary. The fact that a non-engaged NRSRO has the same or different rating as an engaged NRSRO on a particular security or a series of securities may not be indicative of anything other than similarities or differences in model or process. Also, as noted above, ratings may differ because non-engaged NRSROs did not have full participation in the transaction or because they did not receive the same type of information as they would on transactions for which they were engaged. Unsolicited ratings also may differ because non-engaged NRSROs may decide to selectively publish only those unsolicited ratings that differ from the ratings issued by engaged NRSROs. Ultimately, there are many reasons why ratings could be the same or different, and the disclosure of Paragraph (a)(3) Information and the publication of unsolicited ratings will not allow the market to conclude that such similarity or disparity was a result of undue influence. On the other hand, the publication of a negative unsolicited rating may cause confusion and uncertainty in the market with no way for the market to resolve the differences between ratings and no way to determine how much weight to give to an unsolicited rating.

The third flawed assumption is that non-engaged NRSROs would publish unsolicited ratings on an objective and disinterested basis. It is unclear why a non-engaged NRSRO would spend the time, effort and resources necessary to produce a quality objective unsolicited rating, particularly if the end result could be simply an affirmation of the engaged NRSRO's ratings. We note that there is a logical inconsistency in assuming that NRSROs are susceptible to undue influence because the NRSROs are competing for business, but that non-engaged NRSROs would not be susceptible to the same undue influence in publishing or deciding not to publish unsolicited ratings. In this regard, we note that the last time the SEC addressed ratings by non-engaged NRSROs, during the implementation of the Credit Rating Agency Reform Act of 2006,[2] unsolicited ratings and notching were discussed in terms of anticompetitive practices.

Citi also strongly believes that the filing requirements and liability framework for Paragraph (a)(3) Information are inappropriate. Liability under Section 12 and Rule 10b-5 should not apply to Paragraph (a)(3) Information because such information is explicitly not intended for investors and materiality is not a criterion in determining what constitutes Paragraph (a)(3) Information. In fact, the Rule 17g-5 Proposal explicitly imposes a standard of filing based on whether the information was "used" by a NRSRO; consequently, application of liability based on the materiality of a misstatement or omission is inappropriate. Further, given that the NRSRO is the sole determinant of what information constitutes Paragraph (a)(3) Information, it is inappropriate to make any other deal party responsible for such information. Similarly, it would be inappropriate to have any party, other than the NRSRO, file Paragraph (a)(3) Information because the only determinant of what needs to be filed is whether the NRSRO used that information for its ratings process – a determination that no other party is qualified to make.

Finally, the tension between the SEC's implied imprimatur and the questionable quality of an unsolicited rating may have the unintended consequence of creating uncertainty and confusion in the market, affecting both the issuers and underwriters in the offering process, and the investors holding securities. With respect to the former, in a registered offering, the Rule 17g-5 Proposal would require the Paragraph (a)(3) Information to be disclosed on the pricing date; however, given delays between pricing and distribution of the final prospectus in securitization offerings, it is possible that a non-engaged NRSRO could issue an unsolicited rating prior to the final prospectus. In this situation, not only would investors be uncertain of which rating to use, but the issuer and underwriter may be faced with questions as to whether the unsolicited rating constitutes material information that requires reformation of sale and whether such unsolicited rating needs to be disclosed in the prospectus. Also, at any point during the life of the security, depending on the weight to be given to unsolicited ratings, an investor holding securities may be surprised to find that the security it holds may not qualify under its internal guidelines or applicable regulations because a NRSRO has decided to publish an unsolicited rating that is different than the ratings assigned by the engaged NRSROs.

In summary, Citi opposes the Rule 17g-5 Proposal because it would create uncertainty and confusion in the market and would impose unnecessary burdens and liability upon deal participants while offering only questionable theoretical benefit in return. We believe that the market will be better served by greater disclosure and transparency by the NRSROs in describing their ratings process and methodology rather than simply filing Paragraph (a)(3) Information, which as described above, will not be particularly helpful in uncovering undue influence. We believe that the SEC's proposal to amend Rule 17g-2 to require NRSROs to maintain and

[2] Release No. 34-55857.

publish a record of all rating actions will better serve the market in helping to identify NRSROs that provide ratings of poor quality, whether caused by undue influence or otherwise.

Ratings Symbology for Structured Products

The Proposal would also require rating agencies to either publish a report along with each structured securities rating that generically describes how ratings for structured securities differ from ratings on other types of securities, or adopt a separate symbology for structured securities (e.g., "AAA.sf").

Citi agrees with both SIFMA and ASF that the addition of a special symbol or suffix to the ratings of structured products would provide little, if any, value to investors, while raising a number of problematic issues. Specifically, as noted in the Association Letters, investor internal guidelines, as well as numerous laws and regulations, incorporate references to ratings; the addition of a symbol to ratings of structured products would raise uncertainty as to whether such modified ratings would meet these guidelines, or comply with laws and regulations referencing unmodified ratings. More broadly, Citi believes that investors in structured products – who are typically sophisticated institutional investors – are aware they are purchasing structured products and do not need a special symbol to "alert" them to the fact that a structured product is being purchased by them. We agree with both SIFMA and ASF that such symbols or suffixes do not convey any meaningful information, and unnecessarily raise significant issues.

However, Citi joins both SIFMA and ASF in supporting that aspect of the Proposal that would require NRSROs to provide a standardized disclosure statement, describing the differences in how ratings are arrived at for structured products compared to other securities. We believe that such disclosure statement would be much more useful to investors in providing meaningful information regarding ratings of structured products.

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Citi appreciates the opportunity to comment on the Proposal. Please feel free to contact us should you have any questions or if we may be of any assistance to you as you consider these issues.

Very truly yours,

/s/ Jeffrey A. Perlowitz_____
Jeffrey A. Perlowitz
Managing Director and
Co-Head of Global Securitized Markets

/s/ Myongsu Kong_________
Myongsu Kong
Director and Counsel