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February 7, 2007

CERTIFIED MAIL/
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Office of Exemption Determinations
Employee Benefits Security Administration
Room N-5700
U.S. Department of Labor
200 Constitution Ave. N.W.
Washington, D.C. 20210
Attention: IRA Investment Advice RFI

Re: Response to Request for Information Regarding Computer Models
for the Provision of Investment Advice to Individual Retirement Accounts

To Whom it May Concern:

On behalf of Citigroup Inc. and its subsidiaries ("Citigroup"), I am writing to respond to the Department's letter of December 12, 2006, indicating that Citigroup may be among the top 50 trustees of certain Individual Retirement Accounts and similar plans¹ and soliciting Citigroup's response to the Request for Information ("RFI") that the Department published in the Federal Register on December 4, 2006, which seeks information regarding the experience of financial institutions that use a computer model to provide investment advice to participants and beneficiaries of IRAs.

We appreciate the opportunity to respond to the RFI and look forward to continuing to work with the Department as it completes its required review of computer models for investment advice to IRA beneficiaries under section 601 of the Pension Protection Act of 2006. For your convenience, we have reproduced each of your questions below immediately preceding the applicable response.

1. Are there computer model investment advice programs for the current year and preceding year that are, or may be, utilized to provide investment advice to beneficiaries

¹Such plans are defined under section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), to include: (A) an individual retirement account described in section 408(a) of the Code; (B) an individual retirement annuity described in section 408(b) of the Code; (C) an Archer MSA described in section 220(d) of the Code; (D) a health savings account described in section 223(d) of the Code; (E) a Coverdell education savings account described in section 530 of the Code; or (F) a trust, plan, account, or annuity which, at any time, has been determined by the Secretary of Treasury to be described in any preceding subparagraph of this paragraph (i.e., (A) through (E) above).

of plans described in section 4975(e)(1)(B)-(F) (and so much of subparagraph (G) as relates to such subparagraphs) (hereinafter "IRA") of the Code which:

(a) Apply generally accepted investment theories that take into account the historic returns of different asset classes over defined periods of time;

(b) Utilize relevant information about the beneficiary, which may include age, life expectancy, retirement age, risk tolerance, other assets or sources of income, and preferences as to certain types of investments;

(c) Operate in a manner that is not biased in favor of investments offered by the fiduciary adviser or a person with a material affiliation or contractual relationship with the fiduciary adviser;

(d) Take into account the full range of investments, including equities and bonds, in determining the options for the investment portfolios of the beneficiary; and

(e) Allow the beneficiary, in directing the investment, sufficient flexibility in obtaining advice to evaluate and select investment options.

We are aware of computer models that generally satisfy the criteria set forth above in part, including models that take into account a contained universe of investment options (i.e., a limited universe of mutual funds or ETFs, which include as portfolio investments a robust range of investment types, such as equities and bonds). In our experience, however, there are no existing computer models that take into account the entire universe of investments that may be available to an IRA in determining the options for the investment portfolios of the beneficiary, as more fully discussed below.

2. If currently available computer models do not satisfy all of the criteria described above, which criteria are presently not considered by such computer models? Would it be possible to develop a model that satisfies all of the specified criteria? Which criteria would pose difficulties to developers and why?

As suggested above, item (d) in Question 1 is the most difficult condition to satisfy, and to our knowledge no such model exists today. We believe that it may not be possible to develop a model that satisfies (d) in its entirety. It might be possible – theoretically – to generate a model that covers all investments with respect to which there is adequate publicly available information and accurate pricing. For privately held securities where information is not publicly available in a data feed, then a proxy (based on certain assumptions, such as the behavior of the price of the security, if priced regularly) would have to be used to represent the security. We note, however, that the cost of creating a model with the data span necessary to cover all potential investments may be prohibitive and there may be labor-related confines as well. Further, it could be very difficult – if not impossible – to model on certain of the more esoteric types of investments as a result of informational constraints, including, perhaps, structured products, currency instruments or currencies, futures, options, limited partnerships, LLCs, group or collective trusts, real estate, etc.

In any event, since numerous combinations of investments may be appropriate given a beneficiary's single set of information (e.g., age, life expectancy, retirement age, risk

tolerance, other assets or sources of income, and preferences as to certain types of investments), to be effective any such model would necessarily be based upon a set of rules or guidelines established for the purpose of “steering” the advice. For example, it might be possible to devise a computer model that utilizes a rule that limits investments for IRAs with less than \$100,000 to a limited universe of mutual funds and/or ETFs, but prohibit investments in alternatives, or individual equities or bonds. The same model might offer an expanded array of investments to an IRA with a larger account value, though there would still need to be rules defining (or establishing preferences among) a limited universe of investments. In all cases, the model would likely require screens in order to exclude certain types of investments that may not be appropriate for IRAs, including, for example, investments generating unrelated business taxable income (UBTI), municipal bonds, collectibles, and certain annuities.

3. If there are any currently available computer model investment advice programs meeting the criteria described in Question 1 that may be utilized for providing investment advice to IRA beneficiaries, please provide a complete description of such programs and the extent to which they are available to IRA beneficiaries.

As discussed above, while we are aware of computer models that generally satisfy the criteria set forth in Question 1 in part with respect to a limited universe of mutual funds and/or ETFs, we do not believe there are existing computer models that take into account the entire universe of potential investments that may be available to a given IRA in determining the options for the investment portfolios of the beneficiary.

4. With respect to any programs described in response to Question 3, do any of such programs permit the IRA beneficiary to invest IRA assets in virtually any investment? If not, what are the difficulties, if any, in creating such a model?

We do not believe any such programs currently exist. We believe the buy-side recommendation for any current model would have to be limited to a contained investment universe for the reasons discussed in Question 2 above (e.g., as a result of limits on available information and the need to establish rules to guide/steer the advice).

5. If computer model investment advice programs are not currently available to IRA beneficiaries that permit the investment of IRA assets in virtually any investment, are there computer model investment advice programs currently available to IRA beneficiaries that, by design or operation, limit the investments modeled by the computer program to a subset of the investment universe?

Yes. At Smith Barney, for example, we have investment advisory programs that utilize computer models, the output of which consists of asset allocation recommendations, to assist our representatives in providing advice with respect to investments in mutual funds, ETFs and separate accounts.

If so, who is responsible for the development of such investment limitations and how are the limitations developed?

The investment limitations are predetermined by the advisor (or, if the advisor utilizes a third-party model, the owner of such model) and are usually caused by access to

information, the investment's fit into the model (based on the model's rules), cost and client suitability. The decision to limit the models may also take into account the advisor's selling agreements with selected mutual funds and its overall experience with each company selected.

Is there any flexibility on the part of an IRA beneficiary to modify the computer model to take into account his or her preferences?

While the underlying model cannot be changed by the IRA beneficiary, all models require the client to input data (and permit changes in data inputs), which obviously changes the output of the model. Flexibility also exists to allow an IRA to adjust the output based on client preferences. That is, a client can override the output by requesting revised/targeted advice based on a preferred asset allocation or by limiting the investment universe further (e.g., to include only mutual funds).

Are such computer model investment advice programs available to the beneficiaries of IRAs that are not maintained by the persons offering such programs?

Yes, we are aware of advice programs offered by the persons that maintain the model, and advice programs offered by persons that utilize a third-party model.

6. If you offer a computer model investment advice program based on nonproprietary investment products, do you make the program available to investment accounts maintained by you on behalf of IRA beneficiaries?

As discussed above, we offer investment advisory programs that utilize computer models to assist our representatives in providing advice to our clients, including programs that offer only nonproprietary investment products.

7. What are the investment options considered by computer investment advice programs? What information on such options is needed? How is the information obtained and made part of the programs? Is the information publicly available or available to IRA beneficiaries?

Investment options generally include mutual funds and/or ETFs. At a minimum, any such program would need close-of-day pricing to run a returns-based style analysis. Increased information around security classification (ideally, underlying holdings in the case of a mutual fund) would help to remove anomalies from the data. Information is typically obtained through market data feeds. This information is publicly available on any internet financial web site; however, financial providers of this service typically receive the information directly from the supplier (e.g., Lipper or Morningstar).

8. How should the Department or a third party evaluate a computer model investment advice program to determine whether a program satisfies the criteria described in Question 1 or any other similar criteria established to evaluate such programs?

The computer model investment advice program would typically be evaluated by experts by running various scenarios against the engine, testing inputs and output to ensure the engine is behaving as expected by giving reasonable and impartial advice to the individual investor based on the professional's experience. The evaluator would need to

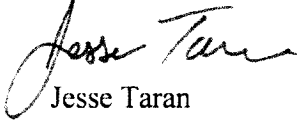
assure itself that the model is able to consider current fee and performance data, taking into account sufficient information regarding the investment for an IRA beneficiary to evaluate the risk of each option, the short term historic performance and the long term historic performance of the asset, and to consider the asset against its peers in the same asset class.

9. How do computer model investment advice programs present advice to IRA beneficiaries? How do such programs allow beneficiaries to refine, amend or override provided advice?

Most programs represent the output on a web page or in a written recommendation. Additionally, clients may receive periodic performance reviews of their accounts, which will typically reiterate the initial advice/recommendations and compare actual holdings against such advice. Output might consist of asset class recommendations, recommendations at the security level (typically ETFs or mutual funds), or investment education (rather than advice), where a few examples of investments from an asset class might be suggested and no single investment is recommended. Providers allow the individual to refine inputs such as risk, goal, time to goal, duration of goal, etc. Some also allow the individual to overwrite the recommendation and change the asset class percentages or the security level recommendation, as discussed above.

We appreciate the opportunity to respond to the RFI and hope that the Department will feel free to call upon Citigroup to answer any additional questions. Future inquiries regarding this application can be directed to the undersigned at (212) 783-4102.

Sincerely,



Jesse Taran