Meeting between Federal Reserve Board and Other Agency Staff and Representatives of Citigroup October 29, 2010

Participants: Diane Daley, Bill Gonska, Carl Howard, Brian leach, Eli Levenson, Zion Shohet, Kevin Thurm, Sandeep Arora, Don Bendernagel, Hugh Conroy, Shawn Feeney, Jamie Forese, Nicolas Fries, Paco Ybarra, Craig Barrack, Philip Dunne, Senthil Kumar, Mark Mason, James O'Brien, and Michael Williams (Citigroup)

David Lynch, John Colwell, Chris Paridon (Federal Reserve Board); Clinton Lively, Debra Stone, Jim Bergin, and Matthew Lieber (Federal Reserve Bank of New York); and other Federal Agency Staff

Summary: Staff of the Federal Reserve Board and other agencies met with representatives of Citigroup to discuss the restrictions on proprietary trading activities and hedge fund and private equity fund activities under section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (also known as the "Volcker Rule"). Citigroup provided Federal Reserve Board and other agency staff with a presentation on their views on (i) the proprietary trading restrictions both generally and with particular respect to trading, market making and hedging activities and operations in which they engage and (ii) the hedge fund and private equity fund restrictions both generally and with particular respect to the fund sponsorship and investment activities in which they engage.

Among other matters discussed in the meeting relating to the proprietary trading restrictions were: the differences in liquidity, client volume, and inventory needs among market making activities in varying types of asset classes and product types; Citigroup's view as to the key characteristics of any market making operation (i.e., a permanent inventory from which to provide liquidity to clients and a permanent client-ready posture to buy and sell); the use of risk metrics (e.g., VaR and inventory limits), estimates of client demand, and judgment in managing the risks posed by market making operations; Citigroup's view as to the critical importance of sound judgment and discretion, apart from quantitative measures, in identifying limit trading risk; and the unique features of derivatives and structured products market making (e.g., the presence of residual risk rather than a specific "inventory" of assets).

Among other matters discussed in the meeting relating to the hedge fund and private equity fund restrictions were: the types of hedge funds and private equity funds which Citigroup and other banking entities have historically invested in or sponsored; the characteristic differences between long/short equity or fixed income funds, funds of funds, and liquidity or money market funds; the extent to which banking entities may typically hold ownership interests in hedge funds or private equity finds that they sponsor; the use of certain fund structures to make merchant banking investments; Citigroup's view that section 619's definition of "hedge fund and private equity fund" is overbroad because of its incorporation of certain exemptions contained in the Investment Company Act of 1940; and the potential effects of section 619 on Citigroup's traditional asset management business.