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September 7, 2006

Ms. Eileen Donovan
Acting Secretary,
Commodity Futures Trading Commission
1155 21st Street, N.W.
Washington, D.C. 20581

COMMENT

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**Re: Comment letter on "Regulatory Governance," Proposed
Acceptable Practices, 71 Fed. Reg. 38740 (July 7, 2006)**

Dear Ms. Donovan:

On behalf of Citigroup Global Markets Inc. ("CGMI"), I am pleased to submit this comment letter regarding the Commission's "Proposed Acceptable Practices for Compliance with Section 5(d)(15) of the Commodity Exchange Act" (the "Proposal"). CGMI believes that the Proposal reflects a thoughtful and nuanced response to the growing concern over potential conflicts of interest at designated contract markets ("DCMs") in the futures industry and as outlined during the Commission's public hearing on this topic on February 16, 2006 and in prior Commission notices and the responsive comments.

CGMI is one of the three largest Futures Commission Merchants registered with the Commission (as measured by customer funds under segregation), and is a member of many exchanges and self-regulatory organizations, including all major DCMs. Our affiliates hold memberships in major securities and futures exchanges worldwide. As such, CGMI and its clients have a strong interest in ensuring that exchanges and other self-regulatory organizations maintain efficient and trustworthy markets and at the same time effectively manage the potential conflicts of interest that come with operating the business of an exchange while at the same time wielding significant powers as a self-regulator of the exchange's members.

CGMI participated in formulating comments on the Proposal submitted by the Futures Industry Association ("FIA") in its letter dated August 28, 2006. We concur with the FIA's comments on all significant aspects of the Proposal, and we ask the Commission to carefully consider what we think are the thorough and balanced comments expressed in the FIA letter. We write separately to underscore our strong views on several issues.

First, CGMI believes that the Commission's proposed acceptable practices regarding regulatory oversight committees ("ROC") address a critical need for DCMs to

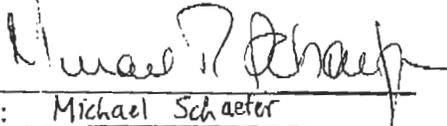
establish effective firewalls between their disciplinary and business functions. The proposed standard that each DCM establish a ROC as a standing committee of its board of directors and that the members of the ROC be comprised exclusively of public board members will enhance the credibility and effectiveness of DCMs in their capacity as self regulators and represents a standard that all DCMs should be able to meet. We also concur with the FIA in suggesting that ROCs should play a material role in reviewing and approving DCM rules and rule changes.

Second, CGMI believes that the Proposal does not go far enough in establishing minimum standards for DCM disciplinary panels, and urges the Commission to give particular weight to the FIA's comments in that regard.¹ While some DCMs currently have practices and procedures designed to create a fair, informed, and professional disciplinary processes, other exchanges fall short of ensuring that their disciplinary process avoids the appearance of self-interest by panel members and effectively polices conflicts of interest. CGMI agrees with FIA that ROCs should have the responsibility for approving the composition of disciplinary panels, and that disciplinary panels should be populated by members with different market functions and business perspectives, include some members who are part of the same category as the respondent, and include a significant percentage of public, independent members.

CGMI applauds the Commission's thorough consideration of the issues facing regulatory governance at DCMs in a changing industry. The Commission's proposals represent an even-handed and achievable set of standards, and we look forward to the Commission moving forward with final acceptable practices.

Sincerely,

Citigroup Global Markets Inc.

By: 
Name: Michael Schaefer
Title: Managing Director

¹ See Letter from John Damgard, President, FIA, to Ms. Eileen Donovan, Acting Secretary, Commodity Futures Trading Commission (August 28, 2006) pages 16-17.