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December 14, 2011

Mr. J. Gordon Seymour
General Counsel and Secretary
Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington, DC 20006-2823

Re: PCAOB Rulemaking Docket No. 37: ***Concept Release on Auditor Independence and Audit Firm Rotation***

Dear Mr. Seymour:

Citigroup appreciates the opportunity to comment on the PCAOB Concept Release on Auditor Independence and Audit Firm Rotation ("the proposal").

Citigroup supports the efforts of the PCAOB to enhance auditors' independence, objectivity and professional skepticism. However, we do not support the auditor rotation proposal for the following reasons:

- the Audit Committee is best suited to decide rotations;
- for large financial institutions, there are very limited choices of audit firms with the appropriate expertise;
- the proposal would be cost prohibitive to implement; and
- there is already considerable rotation among staff on audit engagements and existing partner rotation requirements serve to ensure that at a minimum a fresh point of view is taken every 5 years.

A more detailed discussion follows:

1) Role of the Audit Committee

Currently, there are numerous provisions for expanded disclosures by corporations and specific representations required by officers of public companies that must accompany published financial statements. The Sarbanes-Oxley Act enhances auditor independence by requiring mandatory rotation of engagement partners, audit firm internal policies on turnover of other senior personnel assigned to an audit, limitations on the kinds of non-audit services a firm may provide to an audit client, limitations on when auditors are able to accept employment offers from former clients. In addition, other recently promulgated and pending changes to the Board's

auditing standards and regulatory enhancements to Audit Committee practices also enhance auditor independence.

The Audit Committee consists of members who are part of a company's board of directors, but are otherwise required to be independent, based upon the applicable standards. In addition, as required by existing rules and regulations, it includes at least one member with financial expertise. Therefore, the Audit Committee, including Citi's, understands the needs of the company and is in a better position to assess whether reappointment of external auditors is appropriate.

The Audit Committee is an increasingly important component of effective accountability and governance of financial companies. It plays a key role with respect to the integrity of the entity's financial information, its system of internal controls, and the legal and ethical conduct of management and employees. As such, the Audit Committee has important qualities and responsibilities in order to fulfill its duties. Independence, communication and accountability are some of its core responsibilities. The Audit Committee is responsible for ensuring that the firm conducting a company's financial statement audit is not engaged for non-audit consulting and tax services that could impair the audit firm's independence.

Moreover, the Audit Committee is charged with responsibility for considering whether auditors should be changed and recommending the selection of auditors for shareholder vote at a company's annual meeting. Mandatory audit firm rotations would undermine and question the judgment and important role of the Audit Committee, which numerous new rules and regulations adopted over the last 10 years have sought to emphasize and enforce.

2) Limited choices of audit firms

Given the scale of audits required for global financial institutions, we are concerned with the limited choices available of audit firms with the expertise needed for a very large banking engagement. Effectively, there are only four audit firms, the "Big Four," from which to choose and, among these, only KPMG and PwC currently have large bank audit practices. Financial services firms, such as Citi, are highly complex from both an operational and geographic perspective, as well as a technical, accounting perspective, and would present particular challenges for audit firms that do not have this type of industry expertise or a global presence.

We are concerned that mandatory rotation would hinder the ability of audit firms to develop and maintain essential industry expertise, to the potential detriment of audit quality and ultimately to investors. The learning curve for new auditors on very large financial institution audits is immense. Therefore, we are further concerned that to develop the necessary industry and company experience, audit firms might perhaps hire a portion of the staff of the predecessor audit firm, which would then effectively defeat the Board's stated objective of mandatory rotation. We believe that mandatory auditor rotation would introduce significant difficulties in identifying an audit firm with the necessary skills and expertise to audit a large, complex financial services institution.

Moreover, due to the limited number of qualified firms from which to choose, auditor independence could be compromised with rotation of auditors every 5 or 10 years, since audit

firms other than the bank's attest auditor may also provide other non-audit services (e.g., tax, computer consulting, other consulting work). With larger projects, terminating those services may take many years.

3) The proposal would be cost prohibitive to implement

Mandatory rotation could potentially encourage audit firms to raise their fees significantly in order to account for increases in the costs of performing the audit. We agree with the Cohen Commission statement that "[r]otation would considerably increase the costs of audits because of the frequent duplication of the start-up and learning time necessary to gain familiarity with a company and its operations that is necessary for an effective audit." There also would be additional costs associated with new auditors requiring consents from previous auditors to include prior years' audit opinions in offering documents and other public filings and other requests to review the work papers of predecessor auditors. As a result, we believe that the proposal would result in significant additional, and unnecessary, costs to companies.

We thank the PCAOB for its consideration and would welcome the opportunity to further discuss our comments with Board members and their staff. Please do not hesitate to contact me at (212) 559-7721.

Very truly yours,

Robert Traficanti
Deputy Controller and Head of Accounting Policy