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Citi Takes Key Step to Restart Texas Muni Business.

- **Bank said to verify its compliance with new GOP gun law**
- **Citi is said to have sent letter to attorney general's office**

Citigroup Inc. is said to have taken a key step to restart its public finance business in Texas by submitting a letter verifying its compliance with a new state law seeking to punish banks that have taken on restrictive gun policies.

The bank sent a so-called standing letter to the Texas Attorney General's office in October, according to a person familiar with the matter. It is still in conversations with state officials and is not imminently reviving underwriting there, said the person, who declined to be identified because the exchanges are not public.

Such a letter is a requirement for banks if they want to do business with Texas and its local governments after the GOP legislation went into effect Sept. 1.

In order for bond underwriters to work on deals, Assistant Attorney General Leslie Brock said in a Sept. 22 letter to bond counsels that it would require companies to submit a letter verifying that they do not have a practice or policy that "discriminates" against a firearm entity or trade association.

Since the law went into effect, Citigroup hasn't underwritten any Texas municipal-bond sales. The bank has previously said it believes it can comply with the law but has temporarily pulled back as it works through the certification process. Bank of America Corp. and JPMorgan Chase & Co. have also seen their Texas muni business halt after the law.

Law firm Greenberg Traurig, which represents Citigroup, sent a Sept. 3 letter to Attorney General Ken Paxton, a Republican, and Brock, chief of the office's public finance division, to detail the bank's gun policies and explain why it complied with the law. It also warned that the law may violate the First Amendment.

"We are also concerned that Senate Bill 19 may impair First Amendment rights of freedom of speech, assembly, and association," Dale Wainwright, co-chair of Greenberg Traurig's national appeals and legal issues group and chair of the Texas appellate practice, wrote in the letter. "Barring engagements or refusing to approve a bond issuance when a company's contract verification is compliant with the statute may raise such concern."

The letter also touted the bank's history in Texas and its work on municipal-bond deals. Wainwright said the law's "potential repercussions are imminent and substantial." Bloomberg News received the letter on Thursday through a public records request.

The Texas Attorney General's office did not have an immediate comment.

'Unqualified Verification'

The law targeted banks like Citigroup, which in 2018 said it would prohibit retailers that are customers of the bank from offering bump stocks or selling guns to people who haven't passed a background check or are younger than 21.

As part of SB19, companies have to provide written verification that they comply with the terms of the law. In its Sept. 3 letter, Citigroup proposed language that it could include in contracts verifying its compliance. The bank said its policy doesn't discriminate based on a business's status as a firearm entity, and instead discourages certain transactions based on "traditional business reasons."

However in her Sept. 22 letter to all bond counsel, Brock of the attorney general's office said banks should provide a letter making an "unqualified verification" that they comply and that they can't use language detailing what the company understands the law to require.

Citigroup noted in its September correspondence to the AG's office that it has been the leading bond underwriter in the state for the past three years and led the financing of $16.5 billion of bonds funding critical infrastructure from 2018 to 2020.

An appendix included with Wainwright's letter entitled "Citi's Positive Impact In Texas" noted the bank has 8,500 employees in Texas and that it made nearly $4 million in charitable and foundation gifts in the state in 2020.

"The many governmental entities with whom Citigroup is pleased to engage in municipal finance and bond business should not be precluded or otherwise discouraged from continuing or initiating a mutually-beneficial relationship," the September letter says.

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