

# **Bond Case Briefs**

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## **Citi Says Ready to Resume Texas Muni Business After Gun Spat.**

- **Halted deals after law sought to bar banks for gun policies**
- **Bank is 'prepared to resume serving issuer clients in Texas'**

Citigroup Inc. says it's prepared to restart its public-finance business in Texas after halting the operations in the wake of a new Republican law in the state that sought to bar it and other banks from such work as punishment for restrictive gun policies.

The lender says it's ready to once again underwrite new municipal-bond deals sold by Texas issuers, potentially marking a major win after it had to stop doing so in September. After being ranked as the biggest underwriter of Texas municipal debt in 2020, New York-based Citigroup has tumbled to eighth place this year.

The halt to its Texas public-finance business came after a state law went into effect that bars government entities from working with companies that "discriminate" against firearm entities or trade associations. The bank has made no substantive changes to its gun policy in response to the new law.

"We elected not to engage in primary market underwriting activity with public sector clients in Texas temporarily while we were working through the certification process, which included submitting a standing letter to the Office of the Attorney General," the bank said in a statement Tuesday through a spokesperson.

"Having made the certifications required by the new law, we are now prepared to resume serving issuer clients in Texas," the statement said.

The bank has had conversations with state officials as part of the certification process and is confident that it's able to resume muni deals, according to a person familiar with the discussions who asked not to be named as the conversations aren't public.

### **Resumption Seen Soon**

The bank expects that it will be able to resume underwriting in Texas soon, the person said.

The Texas Attorney General's office didn't respond on Tuesday to email and phone messages seeking comment on Citi's announcement.

The state's law targeted Wall Street banks for wading into the debate over guns in the U.S. Bank of America Corp., JPMorgan Chase & Co. and Goldman Sachs Group Inc. also haven't underwritten munis sold by the state and its cities, schools, and transit agencies since the legislation took effect. Bank of America and Citigroup are the top two underwriters in the \$4 trillion U.S. municipal market.

Citigroup has repeatedly said it can comply with the legislation and that it doesn't discriminate

against firearm entities. In June, the bank said in a blog post that its policy “simply requires our clients to use best practices when selling firearms.”

The Lone Star State is a crucial market for muni business thanks to a growing population that drives infrastructure needs. Texas-based borrowers sold more than \$58 billion of municipal debt in 2020, the most of any state after California, according to data compiled by Bloomberg.

In the wake of mass shootings in the U.S., Citigroup 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.

The sponsor of the Texas law, Republican state Representative Giovanni Capriglione, has said that policies taken on by Citigroup were an example of the type of company policy that his legislation was targeting.

Citigroup took a key step to restart its public-finance operations in Texas by submitting a letter last month verifying its compliance with the new law.

The bank sent a so-called standing letter to the Texas Attorney General’s office, a requirement for banks if they want to do business with Texas and its local governments after the legislation took effect.

## **Bloomberg Markets**

By Amanda Albright

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— *With assistance by Danielle Moran*