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Citi is exiting the muni business

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Citigroup will close its municipal division by the end of the first quarter of 2024, leaving behind a historic tenure in a market it once dominated in underwriting, secondary market-making, and strategy and analysis.

The firm decided to "wind down our municipal underwriting and market-making activities" after a "broad-based review" of its muni business, according to a company memo from the firm's head of markets Andrew Morton and head of banking Peter Babej.

"While we are very proud of the impact they have had over the years, the economics of these activities are no longer viable given our commitment to increase the firm's overall returns," the memo states.

"Most of our municipal sales, trading and banking colleagues will unfortunately be leaving Citi over the next few months," the memo continued.

The closure of Citi's municipal division, which Bloomberg News first reported, comes weeks after the real possibility of it exiting the business took hold.

It was then considered as a trial balloon sent by top executives to measure reaction, but there had been suspicion about layoffs in Citi's muni division for some months, as the firm had let go of several high-profile workers during the last year.

Citi CEO Jane Fraser announced a major organizational overhaul in September. *Adobe Stock*

The move comes a few months after UBS exited the business and amid a tough year for Wall Street muni underwriters due to weak issuance, compressed underwriting spreads and the decision by big issuer Texas, among others, to ban underwriters from doing bond business with them for a policy the state said discriminated against firearm companies, among other factors.

After reports that Citi's muni division seemed to have been spared from initial cuts announced in late November, as part of CEO Jane Fraser's restructuring efforts, sources noted at the time, the lack of layoffs may have been because of the already reduced key muni jobs.

Just days later, around 10 healthcare bankers departed Citi for rival Jefferies.

Further, it was reported this week that the firm was proposing to give some employees part of their bonuses early if they agreed to voluntarily leave so Citi would have to rely only on job cuts for the restructuring. The cost of the restructuring could top out at $1 billion.

All of this came as Citi has dropped in the rankings of the top municipal underwriters in recent years. The firm dropped out of the top five senior managers in the first three quarters of 2023, falling to sixth from third in the same period last year, according to Refinitiv. The firm dropped to fourth place among senior managers last year, down from second place in 2021.

Despite the closure of its muni business, the memo states Citi will "continue to support the communities in our home market by working with state and local governments on infrastructure projects."

Additionally, the firm will continue to support its municipal clients on "all pending capital issuances, including execution of pipeline transactions as well as transition to other underwriters as appropriate," the memo states.