

Securities Regulation Daily Wrap Up, FRAUD AND MANIPULATION— S.D.N.Y.: Federal court rejects investors' bid to revive Citigroup securities fraud case, (Nov. 18, 2025)

Securities Regulation Daily Wrap Up

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By [Elena Eyber, J.D.](#)

The court held that the investors' proposed amendments still failed to plead actionable misstatements or scienter.

The federal district court in New York denied plaintiffs' motion for leave to amend their consolidated securities fraud complaint against Citigroup and several of its former executives, concluding that the proposed amendments would be futile. The court found that the revised allegations still did not cure the deficiencies that previously led to dismissal, namely, the failure to plead materially false statements and a strong inference of scienter. Because the plaintiffs could not adequately allege a primary violation under Section 10(b) and Rule 10b-5, their related Section 20(a) control-person claims also necessarily failed (*In re: Citigroup Securities Litigation*, No. 1:20-cv-09132-LAP (S.D.N.Y. Nov. 13, 2025)).

Proposed amendments. The case began with investors asserting that Citigroup misled the market about its risk-management systems during the 2016–2020 period. After the court [dismissed](#) the original complaint for failing to sufficiently allege material misstatements or scienter, the plaintiffs sought to file a Second Amended Complaint. The proposed amendment narrowed the case to eight alleged misstatements, shortened the class period, dropped the director defendants, and added accounts from twelve former employees. Five of the eight alleged misstatements had already been rejected by the court in the prior dismissal order, and plaintiffs attempted to repackage them with minor changes.

Prior findings reaffirmed. The court held that its earlier conclusions remained unchanged. Statements from Citigroup's Annual Reports about its "Risk Governance Framework" were still too general and aspirational to constitute material misrepresentations. Similarly, former CEO Michael Corbat's statements describing Citigroup as "safer" and "stronger" or highlighting investments in infrastructure were non-actionable corporate optimism, opinion, or puffery. The court also found that new allegations tied to "Project Rainbow" (a risk-management and technology initiative) did not demonstrate that the challenged statements were false when made or that the defendants acted with fraudulent intent.

Amendments deemed futile. Ultimately, the court found that none of the proposed amendments established contemporaneously false statements or a cogent inference of scienter, making the amendment legally futile. Because futility alone warranted denial, the court did not reach the defendants' additional argument that the plaintiffs had unduly delayed seeking amendment.

The case is [No. 1:20-cv-09132-LAP](#).

Judge: Preska, L.

Attorneys: Benjamin Francis Burry (Bleichmar Fonti & Auld LLP) for Public Sector Pension Investment Board and Anchorage Police & Fire Retirement System. Hannah Elizabeth Ross (Bernstein Litowitz Berger & Grossmann LLP) for City of Sunrise Firefighters Pension Fund. Samuel Howard Rudman (Robbins Geller Rudman & Dowd LLP) for City of Sterling Heights General Employees' Retirement System. Jeremy Alan Lieberman (Pomerantz LLP) for Timothy Lim. David Maxwell Rein (Sullivan & Cromwell LLP) for Citigroup Inc., Michael L. Corbat, John C. Gerspach, Mark A. L. Mason, Ellen M. Costello, Grace E. Dailey, Barbara Desoer, and John C. Dugan.

Companies: Public Sector Pension Investment Board; City of Sunrise Firefighters Pension Fund; City of Sterling Heights General Employees' Retirement System; Citigroup Inc.

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