

BLACKROCK DEBT STRATEGIES FUND, INC.
Form N-Q
January 26, 2012
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-08603

Name of Fund: BlackRock Debt Strategies Fund, Inc. (DSU)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Debt Strategies Fund, Inc., 55 East 52nd Street, New York, NY 10055

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 02/29/2012

Date of reporting period: 11/30/2011

Item 1 – Schedule of Investments

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Schedule of Investments November 30, 2011 (Unaudited)

BlackRock Debt Strategies Fund, Inc. (DSU)
(Percentages shown are based on Net Assets)

	Par (000)	Value
Asset-Backed Securities		
ARES CLO Funds, Series 2005-10A, Class B, 0.74%, 9/18/17 (a)(b)	USD 1,250	\$ 1,115,100
Ballyrock CDO Ltd., Series 2006-1A, Class B, 0.86%, 8/28/19 (a)(b)	1,000	785,000
CSAM Funding, Series 2A, Class B1, 7.05%, 10/15/16	625	609,375
Canaras Summit CLO Ltd., Series 2007-1A, Class B, 0.83%, 6/19/21 (a)(b)	1,225	972,099
Gannett Peak CLO Ltd., Series 2006-1X, Class A2, 0.78%, 10/27/20	940	695,600
Greyrock CDO Ltd., Series 2005- 1X, Class A2L, 0.88%, 11/15/17	1,980	1,615,680
Portola CLO Ltd., Series 2007-1X, Class B1, 1.91%, 11/15/21	1,245	1,032,478
T2 Income Fund CLO Ltd., Series 2007-1A, Class B, 1.00%, 7/15/19 (a)(b)	1,075	960,201
Total Asset-Backed Securities 1.8%		7,785,533

	Shares	
Common Stocks (c)		
Chemicals 0.0%		
GEO Specialty Chemicals, Inc.	339,340	149,310
Containers & Packaging 0.1%		
Smurfit Kappa Plc	36,342	219,747
Diversified Financial Services 1.4%		
Kcad Holdings I Ltd.	500,743,395	5,653,393
Preferred Term Securities VI, Ltd. (a)	3,500,000	1,750
		5,655,143
Electrical Equipment 0.0%		
Medis Technologies Ltd.	286,757	1,721
Hotels, Restaurants & Leisure 0.0%		
Buffets Restaurants Holdings, Inc.	2,753	6,883
HRP PIK Corp., Class B (a)	5,000	50
		6,933
Metals & Mining 0.1%		
Euramax International	2,337	642,757
Paper & Forest Products 0.3%		
Ainsworth Lumber Co. Ltd.	137,449	137,456
Ainsworth Lumber Co. Ltd. (a)	1,133,401	1,133,456

	Shares	Value
Common Stocks (c)		
Paper & Forest Products (concluded)		
Western Forest Products, Inc. (a)	211,149	\$ 153,194
		1,424,106
Semiconductors & Semiconductor Equipment 0.0%		
SunPower Corp., Class B	1,707	13,349
Software 0.1%		
	1,870	9

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Bankruptcy Management Solutions, Inc.		
HMH Holdings/EduMedia	159,199	238,799
		238,808
Specialty Retail 0.0%		
Movie Gallery, Inc.	503,737	5
Total Common Stocks 2.0%		8,351,879

	Par (000)	
Corporate Bonds		
Aerospace & Defense 0.8%		
Bombardier, Inc., 7.75%, 3/15/20 (a)	USD 1,750	1,872,500
Kratos Defense & Security Solutions, Inc., 10.00%, 6/01/17	1,364	1,374,230
		3,246,730
Airlines 0.6%		
Air Canada, 9.25%, 8/01/15 (a)	910	828,100
American Airlines Pass-Through Trust, Series 2011-2, Class A, 8.63%, 4/15/23	630	604,800
Delta Air Lines, Inc., Series B, 9.75%, 12/17/16	230	243,372
United Air Lines, Inc., 12.75%, 7/15/12	786	817,091
		2,493,363
Auto Components 1.7%		
B-Corp Merger Sub, Inc., 8.25%, 6/01/19 (a)	170	154,700
Delphi Corp., 6.13%, 5/15/21 (a)	560	564,200
Icahn Enterprises LP: 7.75%, 1/15/16	320	330,000
8.00%, 1/15/18	5,260	5,365,200
Titan International, Inc., 7.88%, 10/01/17	940	976,425
Venture Holdings Co. LLC: 12.00%, 7/01/49	4,450	445
Series B, 9.50%, 7/01/05 (c)(d)	1,800	180
		7,391,150

Portfolio Abbreviations

To simplify the listings of portfolio holdings in the Schedule of Investments, the names and descriptions of many of the securities have been abbreviated according to the following list:

CAD	Canadian Dollar
EUR	Euro
FKA	Formerly Known As
GBP	British Pound
USD	US Dollar

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Schedule of Investments (continued)

BlackRock Debt Strategies Fund, Inc. (DSU)
(Percentages shown are based on Net Assets)

	Par (000)	Value
Corporate Bonds		
Beverages 0.2%		
Crown European Holdings SA:		
7.13%, 8/15/18	EUR 342	\$ 459,545
7.13%, 8/15/18	410	550,917
		1,010,462
Biotechnology 0.1%		
QHP Pharma, 10.25%, 3/15/15 (a)		
	USD 227	229,688
Building Products 0.4%		
Building Materials Corp. of America (a):		
7.00%, 2/15/20	940	972,900
6.75%, 5/01/21	790	786,050
Momentive Performance Materials, Inc., 9.00%, 1/15/21	185	131,813
		1,890,763
Capital Markets 1.0%		
American Capital Ltd., 7.96%, 12/31/13 (e)		
	1,175	1,180,640
E*Trade Financial Corp.:		
12.50%, 11/30/17	1,765	1,994,450
4.05%, 8/31/19 (a)(f)(g)	593	526,287
KKR Group Finance Co., 6.38%, 9/29/20 (a)	540	554,766
		4,256,143
Chemicals 3.5%		
American Pacific Corp., 9.00%, 2/01/15		
	1,490	1,443,438
Celanese US Holdings LLC, 5.88%, 6/15/21		
	570	579,975
GEO Specialty Chemicals, Inc.:		
7.50%, 3/31/15 (a)(g)	4,171	4,796,405
10.00%, 3/31/15	4,106	4,105,600
Hexion US Finance Corp., 9.00%, 11/15/20		
	670	525,950
Huntsman International LLC, 8.63%, 3/15/21		
	275	279,125
Kinove German Bondco GmbH, 9.63%, 6/15/18 (a)		
	800	724,000
Lyondell Chemical Co., 11.00%, 5/01/18		
	1,339	1,442,724
LyondellBasell Industries NV, 6.00%, 11/15/21 (a)		
	145	147,900
Solutia, Inc., 7.88%, 3/15/20	810	862,650
		14,907,767
Commercial Banks 2.0%		
CIT Group, Inc.:		
7.00%, 5/01/15	800	800,000
7.00%, 5/01/16	1,035	1,024,132
7.00%, 5/02/16 (a)	1,620	1,599,750
7.00%, 5/01/17	4,534	4,488,660
7.00%, 5/02/17 (a)	710	699,350

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				8,611,892
Commercial Services & Supplies	1.2%			
ARAMARK Corp., 8.50%, 2/01/15		690		707,250
			Par (000)	Value
Corporate Bonds				
Commercial Services & Supplies (concluded)				
AWAS Aviation Capital Ltd., 7.00%, 10/17/16 (a)		USD	799	\$ 799,136
Brickman Group Holdings, Inc., 9.13%, 11/01/18 (a)			140	124,600
The Geo Group, Inc., 7.75%, 10/15/17			850	894,625
Iron Mountain, Inc., 7.75%, 10/01/19			540	557,550
Mobile Mini, Inc., 7.88%, 12/01/20			640	640,000
RSC Equipment Rental, Inc., 10.00%, 7/15/17 (a)			970	1,059,725
West Corp., 8.63%, 10/01/18			315	314,213
				5,097,099
Communications Equipment	0.2%			
Avaya, Inc., 9.75%, 11/01/15			360	281,700
EH Holding Corp., 6.50%, 6/15/19 (a)			600	586,500
				868,200
Consumer Finance	0.1%			
Ford Motor Credit Co. LLC: 7.00%, 4/15/15			280	301,417
6.63%, 8/15/17			148	158,762
				460,179
Containers & Packaging	1.4%			
Ardagh Packaging Finance Plc: 7.38%, 10/15/17		EUR	100	129,331
7.38%, 10/15/17			385	497,925
Ball Corp., 6.75%, 9/15/20		USD	625	667,187
Berry Plastics Corp., 8.25%, 11/15/15			1,010	1,070,600
Beverage Packaging Holdings Luxembourg II SA, 8.00%, 12/15/16		EUR	260	282,983
Graphic Packaging International, Inc., 9.50%, 6/15/17		USD	360	392,400
Sealed Air Corp., 8.38%, 9/15/21 (a)			210	224,175
Smurfit Kappa Acquisitions: 7.75%, 11/15/19 (a)		EUR	476	645,997
7.75%, 11/15/19			1,515	2,056,062
				5,966,660
Diversified Financial Services	3.5%			
Ally Financial, Inc.: 7.50%, 12/31/13		USD	90	91,013
8.30%, 2/12/15			1,330	1,346,625
8.00%, 3/15/20			170	167,663
7.50%, 9/15/20			1,990	1,922,837
8.00%, 11/01/31			3,160	3,002,000
8.00%, 11/01/31			1,360	1,253,449
Archimedes Funding III Ltd., 5.50%, 11/29/11 (c)(d)			2,374	356,058
Axcan Intermediate Holdings, Inc., 12.75%, 3/01/16			665	679,963
FCE Bank Plc, 4.75%, 1/19/15		EUR	966	1,246,093
Reynolds Group Issuer, Inc.: 8.75%, 10/15/16 (a)		USD	548	565,810

Schedule of Investments (continued)

BlackRock Debt Strategies Fund, Inc. (DSU)
 (Percentages shown are based on Net Assets)

Corporate Bonds	Par (000)	Value
Diversified Financial Services (concluded)		
Reynolds Group Issuer, Inc. (concluded):		
8.75%, 10/15/16 (a)	EUR 548	\$ 721,620
8.75%, 10/15/16		

Non-U.S. investors should note that persons having withholding responsibility in respect of the securities may withhold on any coupon payment paid to a non-U.S. investor, generally at a rate of 30%. To the extent that we have withholding responsibility in respect of the securities, we intend to so withhold.

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Citigroup Global Markets Holdings Inc.

395,234 Contingent Income Auto-Callable Securities Due August 20, 2021

Based on the Performance of the Common Stock of Amgen Inc.

Principal at Risk Securities

In addition, Section 871(m) of the Internal Revenue Code of 1986, as amended (the “Code”), imposes a withholding tax of up to 30% on “dividend equivalents” paid or deemed paid to non-U.S. investors in respect of certain financial instruments linked to U.S. equities. In light of Treasury regulations, as modified by an IRS notice, that provide a general exemption for financial instruments issued in 2018 that do not have a “delta” of one, the securities should not be subject to withholding under Section 871(m). However, the IRS could challenge this conclusion.

We will not be required to pay any additional amounts with respect to amounts withheld.

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Citigroup Global Markets Holdings Inc.

395,234 Contingent Income Auto-Callable Securities Due August 20, 2021

Based on the Performance of the Common Stock of Amgen Inc.

Principal at Risk Securities

Information About Amgen Inc.

Amgen Inc. discovers, develops, manufactures and delivers human therapeutics. The common stock of Amgen Inc. is registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Information provided to or filed with the SEC by Amgen Inc. pursuant to the Exchange Act can be located by reference to the SEC file number 001-37702 through the SEC's website at <http://www.sec.gov>. In addition, information regarding the underlying share issuer may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. The common stock of Amgen Inc. trades on the NASDAQ Global Select Market under the ticker symbol "AMGN."

This pricing supplement relates only to the securities offered hereby and does not relate to the common stock of Amgen Inc. or other securities of Amgen Inc. We have derived all disclosures contained in this pricing supplement regarding Amgen Inc. from the publicly available documents described above. In connection with the offering of the securities, none of Citigroup Global Markets Holdings Inc., Citigroup Inc. or CGMI has participated in the preparation of such documents or made any due diligence inquiry with respect to Amgen Inc.

The securities represent obligations of Citigroup Global Markets Holdings Inc. (guaranteed by Citigroup Inc.) only. Amgen Inc. is not involved in any way in this offering and has no obligation relating to the securities or to holders of the securities.

Neither we nor any of our affiliates make any representation to you as to the performance of the common stock of Amgen Inc.

Historical Information

The graph below shows the closing price of the shares of common stock of Amgen Inc. for each day such price was available from January 2, 2013 to August 17, 2018. The table that follows shows the high and low closing prices of, and dividends paid on, the shares of common stock of Amgen Inc. for each quarter in that same period. We obtained the closing prices and other information below from Bloomberg L.P., without independent verification. If certain

corporate transactions occurred during the historical period shown below, including, but not limited to, spin-offs or mergers, then the closing prices of the shares of common stock of Amgen Inc. shown below for the period prior to the occurrence of any such transaction have been adjusted by Bloomberg L.P. as if any such transaction had occurred prior to the first day in the period shown below. **You should not take the historical prices of the shares of common stock of Amgen Inc. as an indication of future performance.**

**Common Stock of Amgen Inc. – Historical Closing Prices
January 2, 2013 to August 17, 2018**

* The red line indicates the downside threshold price of \$157.936, equal to 80.00% of the closing price on August 17, 2018.

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Citigroup Global Markets Holdings Inc.

395,234 Contingent Income Auto-Callable Securities Due August 20, 2021

Based on the Performance of the Common Stock of Amgen Inc.

Principal at Risk Securities

Common Stock of Amgen Inc.	High	Low	Dividends
2013			
First Quarter	\$102.51	\$82.07	\$0.47000
Second Quarter	\$113.34	\$94.60	\$0.47000
Third Quarter	\$117.60	\$95.81	\$0.47000
Fourth Quarter	\$118.61	\$106.28	\$0.47000
2014			
First Quarter	\$127.47	\$113.48	\$0.61000
Second Quarter	\$126.07	\$110.29	\$0.61000
Third Quarter	\$144.01	\$115.39	\$0.61000
Fourth Quarter	\$171.64	\$130.45	\$0.61000
2015			
First Quarter	\$170.10	\$150.01	\$0.79000
Second Quarter	\$169.17	\$151.60	\$0.79000
Third Quarter	\$176.59	\$132.24	\$0.79000
Fourth Quarter	\$164.58	\$140.23	\$0.79000
2016			
First Quarter	\$158.34	\$140.90	\$1.00000
Second Quarter	\$164.35	\$144.58	\$1.00000
Third Quarter	\$175.62	\$154.27	\$1.00000
Fourth Quarter	\$168.31	\$135.22	\$1.00000
2017			
First Quarter	\$182.60	\$150.73	\$1.15000
Second Quarter	\$174.07	\$153.02	\$1.15000
Third Quarter	\$191.00	\$167.29	\$1.15000
Fourth Quarter	\$188.59	\$168.79	\$1.15000
2018			
First Quarter	\$198.00	\$169.43	\$1.32000

Second Quarter	\$186.51	\$166.05	\$1.32000
Third Quarter (through August 17, 2018)	\$200.40	\$185.29	\$0.00000

The closing price of the shares of common stock of Amgen Inc. on August 17, 2018 was \$197.42.

On July 31, 2018, Amgen Inc. declared a cash dividend of \$1.32000 per share of common stock payable on September 7, 2018. We make no representation as to the amount of dividends, if any, that may be paid on the shares of common stock of Amgen Inc. in the future. In any event, as an investor in the securities, you will not be entitled to receive dividends, if any, that may be payable on the shares of common stock of Amgen Inc.

United States Federal Tax Considerations

You should read carefully the discussion under “United States Federal Tax Considerations” and “Risk Factors Relating to the Securities” in the accompanying product supplement and “Summary Risk Factors” in this pricing supplement.

Due to the lack of any controlling legal authority, there is substantial uncertainty regarding the U.S. federal tax consequences of an investment in the securities. In connection with any information reporting requirements we may have in respect of the securities under applicable law, we intend (in the absence of an administrative determination or judicial ruling to the contrary) to treat the securities for U.S. federal income tax purposes as prepaid forward contracts with associated coupon payments that will be treated as gross income to you at the time received or accrued in accordance with your regular method of tax accounting. In the opinion of our counsel, Davis Polk & Wardwell LLP, which is based on current market conditions, this treatment of the securities is reasonable under current law; however, our counsel has advised us that it is unable to conclude affirmatively that this treatment is more likely than not to be upheld, and that alternative treatments are possible.

Assuming this treatment of the securities is respected and subject to the discussion in “United States Federal Tax Considerations” in the accompanying product supplement, the following U.S. federal income tax consequences should result under current law:

Any coupon payments on the securities should be taxable as ordinary income to you at the time received or accrued in accordance with your regular method of accounting for U.S. federal income tax purposes.

Upon a sale or exchange of a security (including retirement at maturity), you should recognize capital gain or loss equal to the difference between the amount realized and your tax basis in the security. For this purpose, the amount realized does not

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Based on the Performance of the Common Stock of Amgen Inc.

Principal at Risk Securities

include any coupon paid on retirement and may not include sale proceeds attributable to an accrued coupon, which may be treated as a coupon payment. Such gain or loss should be long-term capital gain or loss if you held the security for more than one year.

We do not plan to request a ruling from the IRS regarding the treatment of the securities, and the IRS or a court might not agree with the treatment described herein. In addition, the U.S. Treasury Department and the IRS have released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts.” While it is not clear whether the securities would be viewed as similar to the typical prepaid forward contract described in the notice, it is possible that any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the securities, including the character and timing of income or loss, possibly with retroactive effect. You should consult your tax adviser regarding possible alternative tax treatments of the securities and potential consequences of the IRS notice.

Withholding Tax on Non-U.S. Holders. Because significant aspects of the tax treatment of the securities are uncertain, persons having withholding responsibility in respect of the securities may withhold on any coupon payment paid to Non-U.S. Holders (as defined in the accompanying product supplement), generally at a rate of 30%. To the extent that we have (or an affiliate of ours has) withholding responsibility in respect of the securities, we intend to so withhold. In order to claim an exemption from, or a reduction in, the 30% withholding, you may need to comply with certification requirements to establish that you are not a U.S. person and are eligible for such an exemption or reduction under an applicable tax treaty. You should consult your tax adviser regarding the tax treatment of the securities, including the possibility of obtaining a refund of any amounts withheld and the certification requirement described above.

Moreover, as discussed under “United States Federal Tax Considerations – Tax Consequences to Non-U.S. Holders – Possible Withholding Under Section 871(m) of the Code” in the accompanying product supplement, Section 871(m) of the Code and Treasury regulations promulgated thereunder (“Section 871(m)”) generally impose a 30% withholding tax on dividend equivalents paid or deemed paid to Non-U.S. Holders with respect to certain financial instruments linked to U.S. equities (“U.S. Underlying Equities”) or indices that include U.S. Underlying Equities. Section 871(m) generally applies to instruments that substantially replicate the economic performance of one or more U.S. Underlying Equities, as determined based on tests set forth in the applicable Treasury regulations (a “Specified Security”). However, the regulations, as modified by an IRS notice, exempt financial instruments issued in 2018 that do not have a “delta” of one. Based on the terms of the securities and representations provided by us, our counsel is of the opinion that the securities should not be treated as transactions that have a “delta” of one within the meaning of the regulations with respect to any U.S. Underlying Equity and, therefore, should not be Specified Securities subject to withholding tax under Section 871(m).

A determination that the securities are not subject to Section 871(m) is not binding on the IRS, and the IRS may disagree with this treatment. Moreover, Section 871(m) is complex and its application may depend on your particular circumstances. For example, if you enter into other transactions relating to a U.S. Underlying Equity, you could be subject to withholding tax or income tax liability under Section 871(m) even if the securities are not Specified Securities subject to Section 871(m) as a general matter. You should consult your tax adviser regarding the potential application of Section 871(m) to the securities.

We will not be required to pay any additional amounts with respect to amounts withheld.

You should read the section entitled “United States Federal Tax Considerations” in the accompanying product supplement. The preceding discussion, when read in combination with that section, constitutes the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of owning and disposing of the securities.

You should also consult your tax adviser regarding all aspects of the U.S. federal income and estate tax consequences of an investment in the securities and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Supplemental Plan of Distribution

CGMI, an affiliate of Citigroup Global Markets Holdings Inc. and the underwriter of the sale of the securities, is acting as principal and will receive an underwriting fee of \$0.25 for each \$10.00 security sold in this offering. From this underwriting fee, CGMI will pay selected dealers not affiliated with CGMI, including Morgan Stanley Wealth Management, and their financial advisors collectively a fixed selling concession of \$0.20 for each \$10.00 security they sell. In addition, Morgan Stanley Wealth Management will receive a structuring fee of \$0.05 for each security they sell. For the avoidance of doubt, the fees and selling concessions described in this pricing supplement will not be rebated if the securities are automatically redeemed prior to maturity.

CGMI is an affiliate of ours. Accordingly, this offering will conform with the requirements addressing conflicts of interest when distributing the securities of an affiliate set forth in Rule 5121 of the Financial Industry Regulatory Authority. Client accounts over which Citigroup Inc. or its subsidiaries have investment discretion will not be permitted to purchase the securities, either directly or indirectly, without the prior written consent of the client.

Secondary market sales of securities typically settle two business days after the date on which the parties agree to the sale. Because the issue date for the securities is more than two business days after the pricing date, investors who wish

to sell the securities at any

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Principal at Risk Securities

time prior to the second business day preceding the issue date will be required to specify an alternative settlement date for the secondary market sale to prevent a failed settlement. Investors should consult their own investment advisors in this regard.

See “Plan of Distribution; Conflicts of Interest” in the accompanying product supplement and “Plan of Distribution” in each of the accompanying prospectus supplement and prospectus for additional information.

A portion of the net proceeds from the sale of the securities will be used to hedge our obligations under the securities. We have hedged our obligations under the securities through CGMI or other of our affiliates. CGMI or such other of our affiliates may profit from this hedging activity even if the value of the securities declines. This hedging activity could affect the closing price of the underlying shares and, therefore, the value of and your return on the securities. For additional information on the ways in which our counterparties may hedge our obligations under the securities, see “Use of Proceeds and Hedging” in the accompanying prospectus.

Valuation of the Securities

CGMI calculated the estimated value of the securities set forth on the cover page of this pricing supplement based on proprietary pricing models. CGMI’s proprietary pricing models generated an estimated value for the securities by estimating the value of a hypothetical package of financial instruments that would replicate the payout on the securities, which consists of a fixed-income bond (the “bond component”) and one or more derivative instruments underlying the economic terms of the securities (the “derivative component”). CGMI calculated the estimated value of the bond component using a discount rate based on our internal funding rate. CGMI calculated the estimated value of the derivative component based on a proprietary derivative-pricing model, which generated a theoretical price for the instruments that constitute the derivative component based on various inputs, including the factors described under “Summary Risk Factors—The value of the securities prior to maturity will fluctuate based on many unpredictable factors” in this pricing supplement, but not including our or Citigroup Inc.’s creditworthiness. These inputs may be market-observable or may be based on assumptions made by CGMI in its discretionary judgment.

For a period of approximately three months following issuance of the securities, the price, if any, at which CGMI would be willing to buy the securities from investors, and the value that will be indicated for the securities on any brokerage account statements prepared by CGMI or its affiliates (which value CGMI may also publish through one or more financial information vendors), will reflect a temporary upward adjustment from the price or value that would

otherwise be determined. This temporary upward adjustment represents a portion of the hedging profit expected to be realized by CGMI or its affiliates over the term of the securities. The amount of this temporary upward adjustment will decline to zero on a straight-line basis over the three-month temporary adjustment period. However, CGMI is not obligated to buy the securities from investors at any time. See “Summary Risk Factors—The securities will not be listed on any securities exchange and you may not be able to sell them prior to maturity.”

Certain Selling Restrictions

Prohibition of Sales to EEA Retail Investors

The securities may not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or
 - (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC; and

the expression “offer” includes the communication in any form and by any means of sufficient information on the (b) terms of the offer and the securities offered so as to enable an investor to decide to purchase or subscribe the securities.

Validity of the Securities

In the opinion of Davis Polk & Wardwell LLP, as special products counsel to Citigroup Global Markets Holdings Inc., when the securities offered by this pricing supplement have been executed and issued by Citigroup Global Markets Holdings Inc. and authenticated by the trustee pursuant to the indenture, and delivered against payment therefor, such securities and the related guarantee of Citigroup Inc. will be valid and binding obligations of Citigroup Global Markets Holdings Inc. and Citigroup Inc., respectively, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors’ rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith), provided that such counsel expresses no opinion as to the effect of fraudulent conveyance,

fraudulent transfer or similar provision of applicable law on the conclusions expressed above. This opinion is given as of the date of this

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Citigroup Global Markets Holdings Inc.

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Based on the Performance of the Common Stock of Amgen Inc.

Principal at Risk Securities

pricing supplement and is limited to the laws of the State of New York, except that such counsel expresses no opinion as to the application of state securities or Blue Sky laws to the securities.

In giving this opinion, Davis Polk & Wardwell LLP has assumed the legal conclusions expressed in the opinions set forth below of Scott L. Flood, General Counsel and Secretary of Citigroup Global Markets Holdings Inc., and Barbara Politi, Assistant General Counsel—Capital Markets of Citigroup Inc. In addition, this opinion is subject to the assumptions set forth in the letter of Davis Polk & Wardwell LLP dated April 7, 2017, which has been filed as an exhibit to a Current Report on Form 8-K filed by Citigroup Inc. on April 7, 2017, that the indenture has been duly authorized, executed and delivered by, and is a valid, binding and enforceable agreement of, the trustee and that none of the terms of the securities nor the issuance and delivery of the securities and the related guarantee, nor the compliance by Citigroup Global Markets Holdings Inc. and Citigroup Inc. with the terms of the securities and the related guarantee respectively, will result in a violation of any provision of any instrument or agreement then binding upon Citigroup Global Markets Holdings Inc. or Citigroup Inc., as applicable, or any restriction imposed by any court or governmental body having jurisdiction over Citigroup Global Markets Holdings Inc. or Citigroup Inc., as applicable.

In the opinion of Scott L. Flood, Secretary and General Counsel of Citigroup Global Markets Holdings Inc., (i) the terms of the securities offered by this pricing supplement have been duly established under the indenture and the Board of Directors (or a duly authorized committee thereof) of Citigroup Global Markets Holdings Inc. has duly authorized the issuance and sale of such securities and such authorization has not been modified or rescinded; (ii) Citigroup Global Markets Holdings Inc. is validly existing and in good standing under the laws of the State of New York; (iii) the indenture has been duly authorized, executed and delivered by Citigroup Global Markets Holdings Inc.; and (iv) the execution and delivery of such indenture and of the securities offered by this pricing supplement by Citigroup Global Markets Holdings Inc., and the performance by Citigroup Global Markets Holdings Inc. of its obligations thereunder, are within its corporate powers and do not contravene its certificate of incorporation or bylaws or other constitutive documents. This opinion is given as of the date of this pricing supplement and is limited to the laws of the State of New York.

Scott L. Flood, or other internal attorneys with whom he has consulted, has examined and is familiar with originals, or copies certified or otherwise identified to his satisfaction, of such corporate records of Citigroup Global Markets Holdings Inc., certificates or documents as he has deemed appropriate as a basis for the opinions expressed above. In such examination, he or such persons has assumed the legal capacity of all natural persons, the genuineness of all signatures (other than those of officers of Citigroup Global Markets Holdings Inc.), the authenticity of all documents submitted to him or such persons as originals, the conformity to original documents of all documents submitted to him or such persons as certified or photostatic copies and the authenticity of the originals of such copies.

In the opinion of Barbara Politi, Assistant General Counsel—Capital Markets of Citigroup Inc., (i) the Board of Directors (or a duly authorized committee thereof) of Citigroup Inc. has duly authorized the guarantee of such securities by Citigroup Inc. and such authorization has not been modified or rescinded; (ii) Citigroup Inc. is validly existing and in good standing under the laws of the State of Delaware; (iii) the indenture has been duly authorized, executed and delivered by Citigroup Inc.; and (iv) the execution and delivery of such indenture, and the performance by Citigroup Inc. of its obligations thereunder, are within its corporate powers and do not contravene its certificate of incorporation or bylaws or other constitutive documents. This opinion is given as of the date of this pricing supplement and is limited to the General Corporation Law of the State of Delaware.

Barbara Politi, or other internal attorneys with whom she has consulted, has examined and is familiar with originals, or copies certified or otherwise identified to her satisfaction, of such corporate records of Citigroup Inc., certificates or documents as she has deemed appropriate as a basis for the opinions expressed above. In such examination, she or such persons has assumed the legal capacity of all natural persons, the genuineness of all signatures (other than those of officers of Citigroup Inc.), the authenticity of all documents submitted to her or such persons as originals, the conformity to original documents of all documents submitted to her or such persons as certified or photostatic copies and the authenticity of the originals of such copies.

Contact

Clients of Morgan Stanley Wealth Management may contact their local Morgan Stanley branch office or the Morgan Stanley principal executive offices at 1585 Broadway, New York, New York 10036 (telephone number (212) 762-9666). All other clients may contact their local brokerage representative.

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