

CONFIDENTIAL



BOARD OF GOVERNORS  
OF THE  
**FEDERAL RESERVE SYSTEM**  
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

Daniel M. Rossner, Esq.  
Sidley Austin LLP  
787 7th Avenue  
New York, New York 10019

Dear Mr. Rossner:

This is in response to a request submitted March 19, 2009 ("March Request"), by the Government of Singapore Investment Corporation Pte. Ltd. ("GIC") for a determination that GIC would not be deemed to control Citigroup for purposes of the Bank Holding Company Act of 1956, as amended ("BHC Act"), if the transactions described below are consummated according to certain conditions described in this letter and related communications. In this submission, GIC has also filed a notice ("Notice") pursuant to the Change in Bank Control Act (12 U.S.C. § 1817(j)) ("CIBC Act") to acquire up to 19.9 percent of the outstanding shares of Citigroup Inc. ("Citigroup"), New York, New York, pursuant to a share exchange offer made by Citigroup.

GIC is a foreign company wholly-owned by the Government of Singapore ("Singapore"). Singapore created GIC in 1981 under the Singapore Companies Act to invest Singapore's foreign reserves with the mandate to earn reasonable returns with acceptable risk limits over the long term. GIC manages over \$100 billion of investments in more than 40 countries.

Citigroup has proposed to exchange up to \$27.5 billion in aggregate liquidation preference of certain series of its preferred, convertible preferred, trust preferred, and enhanced trust preferred securities into common stock at a conversion price of \$3.25 a share ("Exchange Offer"). The U.S. government has agreed to exchange up to \$25 billion in aggregate liquidation preference of its preferred stock of Citigroup at the same conversion price. GIC currently owns (through depositary shares) 137,600 shares of Citigroup's 7% Non-Cumulative Convertible Preferred Stock, Series A1, and has agreed to participate in the

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Exchange Offer. As a result of the Exchange Offer, GIC would own or control up to 19.9 percent of the voting shares of Citigroup.

GIC has requested confirmation that the Board would not deem GIC to control Citigroup for purposes of the BHC Act as a result of the Exchange Offer.

As an investment company incorporated under the laws of Singapore, GIC is a company within the meaning of the BHC Act.<sup>1</sup> For purposes of the BHC Act, a company controls a bank holding company or bank if the first company (i) directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 percent or more of any class of voting securities of the bank holding company or bank; (ii) controls in any manner the election of a majority of the directors of the bank holding company or bank; or (iii) directly or indirectly exercises a controlling influence over the management or policies of the bank holding company or bank.<sup>2</sup> Section 225.31(d)(2) of the Board's Regulation Y also sets forth several rebuttable presumptions of control.<sup>3</sup>

Under the proposal, GIC would not own, control, or hold with power to vote 25 percent or more of a class of voting securities of, or control the election of a majority of the directors of, any bank holding company or bank. The proposal also does not raise any of the rebuttable presumptions of control in section 225.31(d)(2) of Regulation Y. As a result, GIC would only be deemed to control a bank holding company or bank under the BHC Act if the Board were to find that GIC exercises a controlling influence over the management or policies of a bank holding company or bank.

As noted, GIC would own or control up to 19.9 percent of the voting shares of Citigroup. GIC and certain of its subsidiaries have ordinary course non-exclusive business relationships with Citigroup and certain of its subsidiaries as a depositor, customer, and counterparty. GIC has provided commitments that are similar to those the Board previously has relied on to ensure that an investor is not able to exercise a controlling influence over a bank or bank holding company ("Passivity Commitments"). GIC has committed to limit its director representation to one director on the board of directors of Citigroup. Under the policy statement

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<sup>1</sup> 12 U.S.C. § 1841(b).

<sup>2</sup> 12 U.S.C. § 1841(a)(2); 12 CFR. 225.2(e).

<sup>3</sup> 12 CFR 225.31(d)(2).

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on equity investments in banks and bank holding companies issued by the Board, a minority investor generally is permitted one director representative without being deemed to control the target bank or bank holding company.<sup>4</sup> GIC has also committed not to exercise or attempt to exercise a controlling influence over the management or policies of Citigroup or any of its subsidiaries and has committed to restrict its business relationships with Citigroup or any of its subsidiaries.

GIC has further committed that if it becomes aware, or is informed by the Board that its ownership or control of Citigroup's voting securities or total equity, in combination with those owned or controlled by other Government of Singapore-controlled entities, exceed the applicable percentages set out in the Passivity Commitments, GIC will use its best efforts to assure that the combined holdings are brought below the relevant percentages as soon as is practicable.

In view of the Passivity Commitments, representations made by GIC and the facts described in this letter, the Board has determined that GIC would not control Citigroup or its subsidiary banks for purposes of the BHC Act based on its participation in the Exchange Offer.

The Board also has determined not to disapprove the Notice filed pursuant to the CIBC Act by GIC to acquire up to 19.9 percent of the outstanding shares of Citigroup. In taking this action, the Board has considered the record of the notice in light of the relevant statutory factors under the CIBC Act.<sup>5</sup> The proposal does not involve any change in Citigroup's investments or activities and would not have an adverse impact on competition, the convenience and needs of the community, or the Federal Deposit Insurance Fund. The proposed investment requires no additional cash from GIC. GIC has investments exceeding \$100 billion internationally in a wide range of asset classes and has provided the information necessary to assess the Notice.<sup>6</sup>

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<sup>4</sup> See "Policy statement on equity investments in banks and bank holding companies" ("Policy Statement"). 12 CFR 225.144, available at <http://www.federalreserve.gov/newsevents/press/bcreg/20080922c.htm>.

<sup>5</sup> See 12 U.S.C. § 1817(j)(7).

<sup>6</sup> In light of the continuing disruption in the capital and credit markets, the Board has also determined that an emergency exists such that solicitation of public comment on the Notice may be waived. Expeditious action on the notice would

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The Board's determinations in this letter are based on the representations made in the March Request, the Notice, and related communications. Any material change in the facts presented, including the acquisition by GIC of any additional voting or non-voting equity of Citigroup, could result in a different conclusion and should be reported immediately to Board staff or staff of the Federal Reserve Bank of New York ("Reserve Bank"). The Board's decision is specifically conditioned on compliance with all the commitments and conditions imposed in connection with this letter, including the Passivity Commitments. The commitments and conditions referred to in this letter are deemed to be imposed by the Board in connection with its findings and decisions and, as such, may be enforced in proceedings under applicable law. If you have any questions about this matter, please contact Michael Waldron, Counsel (202-452-2798) or Pat Robinson, Assistant General Counsel (202-452-3005), of the Board's Legal Division.

Very truly yours,

Robert deV. Frierson  
Deputy Secretary of the Board

cc: Ivan Hurwitz,  
Federal Reserve Bank of New York  
Office of the Comptroller of the Currency  
Federal Deposit Insurance Corporation  
Office of Thrift Supervision  
California Division of Financial Institutions

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permit Citigroup to proceed as quickly as possible with the proposed Exchange Offer.