

## OFFICE MEMORANDUM

DATE May 2, 2003TO DistributionSUBJECT Citigroup/ CitiFinancial Commitments - -FROM Carol ZaglioReview Procedures  
Conference call on April 23, 2003**RESTRICTED FR****PARTICIPANTS**Board (DCCA)Robert Cook  
David Evans  
Charles Fleet  
Beverly SmithFRBNYMike Campbell (Legal)  
William Hilton, III (Exams)  
Sunita Pierce (Legal & Compliance Risk)  
Charles Sanders (Legal & Compliance Risk)  
Carol Zaglio (Banking Applications)Board Legal

Pat Robinson

**PURPOSE**

To clarify review and processing procedures for CitiFinancial's **Initiatives/Enhancements** and **Major Litigation** quarterly reports provided by Citigroup to Board and FRBNY staff in compliance with Board orders.<sup>1</sup>

Citigroup should submit the quarterly reports within 30 days after the end of the quarter, to the FRBNY (Attention: Jay Bernstein, Bank Supervision Officer, Banking Applications Department) and to the Board (Attention, Beverly Smith, Applications Manager, Consumer and Community Affairs Division).<sup>2</sup> The March 31, 2003 reports were received on May 1, 2003.

**Review Procedures**

- Within 10 business days after the report receipt date, FRBNY and Board staff will (i) scan the reports for criteria that match those agreed to by Citigroup and the Board for assessing

<sup>1</sup> To fulfill conditions imposed by the Board in approving Citigroup's application to acquire California Federal Bank (Board order, at 88 Fed. Res. Bull, 485, 499) (2002)), and its application to acquire European American Bank (Board order, at 87 Fed. Res. Bull. 600, 609 (2001)), Citigroup must file quarterly status reports on CitiFinancial's lending **Initiatives/Enhancements** (formerly, Initiatives reports). In addition to the Initiatives reports, **Major Litigation** reports involving Citigroup's subprime lending activities are required under the Board's 2001 order.

<sup>2</sup> Banking Applications will send a "Notify" message and deliver copies of the report to those at FRBNY who are on this distribution list.

In the case where Citigroup does not submit quarterly reports timely (i.e., 30 days after the end of the quarter), Jay Bernstein will contact Carl Howard (Citigroup, General Counsel – Bank Regulatory) for the reports.

In the case where Carl Howard designates another contact(s), William Hilton will inform those on this distribution list.

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the status of Citigroup's subprime lending activities and related litigation, (ii) identify and discuss issues, and (iii) draft any additional information request(s) that are needed.<sup>3</sup>

- Within 15 business days of the report receipt date,
  - Staff will finalize any additional information request(s), and William Hilton will communicate the request(s) orally or in writing to Carl Howard.<sup>4</sup>
  - A draft summary analysis of the **Initiatives/Enhancement** report and the **Major Litigation** report will be prepared by Robert Cook, and Pat Robinson, respectively. The draft analyses will be distributed for review and comment to Mike Campbell, William Hilton, and Sunita Pierce.
- Within 10 business days of receipt of any additional information request, Citigroup should respond **in writing**, sending the response to William Hilton.
- Within 1 business day of the additional information response receipt date, William Hilton will send copies to Mike Campbell, William Hilton,<sup>5</sup> Pat Robinson, and Robert Cook.
- A final summary analysis for each report will be completed by Robert Cook and Pat Robinson, and kept on file by FRBNY's Files and Document Management.

**Distribution:**

Participants	
Jay Bernstein	Banking Applications
Lily Tham	Banking Applications
Homer Hill	Exams
HaeRan Kim	Legal
Jim Hodgetts	Legal and Compliance Risk
John Ricketti	Legal and Compliance Risk
Walt Miles	BS&R

Files and Document Management - FRBNY

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<sup>3</sup> Mike Campbell and Pat Robinson will review the **Major Litigation** reports and, after considering comments from others who receive the reports, draft the additional information request, if necessary. Sunita Pierce and Robert Cook will review the **Initiatives/Enhancement** reports and, after considering comments from other who receive the reports, draft the additional information request, if necessary.

<sup>4</sup> Citigroup should be informed that its additional information response is due within 10 business days of receipt of the request.

<sup>5</sup> Copies will be delivered overnight to FRBNY examiners onsite at Citigroup, at 880 3<sup>rd</sup> Avenue, 5<sup>th</sup> Floor, New York, New York 10043: attention William Hilton (212) 527-2005 and Homer Hill, (212) 527-2521.