

CONFIDENTIAL


BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
DIVISION OF BANKING SUPERVISION AND REGULATION

Date: May 26, 2004
To: Jennifer J. Johnson
From: Division of Banking Supervision and Regulation and Legal Division
Subject: Issuance of Consent Order Under Delegated Authority

Name of Party or Parties Subject to the Order:

Proposed Order to Cease and Desist and Order of Assessment
of a Civil Money Penalty – Citigroup Inc., New York, NY and
Citifinancial Credit Company, Baltimore, Maryland

This is to request your execution of the attached consent order. The order has been approved by the undersigned on behalf of the Division of Banking Supervision and Regulation and the Legal Division, as required by section 265.6(e) of the Board's Rules Regarding Delegation of Authority (12 C.F.R. 265.6(e)) and consented to by the party or parties subject to the order.



Herbert A. Biem
Senior Associate Director

Date: 5/26/04



Richard M. Ashton
Associate General Counsel

Date: 5/25/04

Attachment

FEDERAL RESERVE press release



For immediate release

May 27, 2004

The Federal Reserve Board on Thursday announced the issuance of a consent Order to Cease and Desist and Order of Assessment of Civil Money Penalty against Citigroup Inc., New York, New York, a bank holding company, and CitiFinancial Credit Company, Baltimore, Maryland, a non-bank subsidiary of Citigroup.

The Order assesses a civil money penalty against CitiFinancial and requires CitiFinancial to pay restitution to certain subprime personal and home mortgage borrowers. The civil money penalty is \$70 million, subject to a partial credit for restitution. The Order also requires Citigroup and CitiFinancial to take steps to maintain and enhance compliance with consumer protection laws.

Citigroup and CitiFinancial, without admitting any allegations, consented to the issuance of the Order in connection with CitiFinancial's lending activities and its conduct during an examination by the Federal Reserve Bank of New York.

A copy of the Order is attached.

- 0 -

Attachment

UNITED STATES OF AMERICA
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

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In the Matter of)	
)	
CITIGROUP INC.)	Order to Cease and Desist
New York, New York)	and Order of Assessment
)	of a Civil Money Penalty
)	Issued Upon Consent
and)	
)	
CITIFINANCIAL CREDIT COMPANY)	
Baltimore, Maryland)	
)	
-----)	

WHEREAS, in recognition of their common goals to ensure compliance with all applicable laws, rules and regulations by Citigroup Inc., New York, New York ("Citigroup"), a bank holding company as defined in the Bank Holding Company Act, 12 U.S.C. § 1841 ("BHC Act"), and the Federal Deposit Insurance Act, 12 U.S.C. § 1813 ("FDI Act"), and its non-bank subsidiary, CitiFinancial Credit Company, Baltimore, Maryland ("CitiFinancial"), and to ensure effective management of the financial, operational, legal, reputational and compliance risks of CitiFinancial, Citigroup, CitiFinancial, and the Board of Governors of the Federal Reserve System ("Board of Governors") have mutually agreed to enter into this combined Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent (the "Order");

WHEREAS, the Federal Reserve Bank of New York (the "Reserve Bank") conducted an examination of CitiFinancial to assess the implementation of certain lending initiatives that were announced by Citigroup in November 2000, which have been substantially implemented;

WHEREAS, the examination was conducted pursuant to the terms of the Board of Governors' order approving the acquisition of European American Bank, Uniondale, New York by Citigroup, Citigroup Holdings Company and Citicorp in July 2001, which terms were reiterated in the order approving the acquisition of Golden State Bancorp Inc. and California Federal Bank, both of San Francisco, California, by Citigroup in October 2002;

WHEREAS, during the course of that examination, the Reserve Bank reviewed CitiFinancial's lending practices in 2000 and 2001 and believes that there are violations and deficiencies that CitiFinancial must take immediate action to correct. Specifically, the Reserve Bank alleges the following violations and deficiencies. First, CitiFinancial is alleged to have failed to comply with Section 202.7(d)(1) of Regulation B of the Board of Governors ("Regulation B"), 12 C.F.R. § 202.7(d)(1) (implementing the requirements of the Equal Credit Opportunity Act ("ECOA"), 15 U.S.C. § 1691 et seq.), which prohibits a creditor from requiring the signature of a spouse or other person ("co-applicant") on a credit instrument if the applicant qualifies based on his or her own creditworthiness. These alleged violations occurred in connection with attempts to increase joint insurance sales through an increased volume of co-applicant loans. Second, CitiFinancial is alleged to have engaged in unsafe and unsound practices under 12 U.S.C. § 1818(i)(2)(B) in connection with CitiFinancial's underwriting and lending practices with respect to certain

loans subject to the Home Ownership and Equity Protection Act of 1994, 15 U.S.C. § 1639 et seq. ("HOEPA") and Regulation Z of the Board of Governors ("Regulation Z"), 12 C.F.R. Part 228. Third, CitiFinancial is alleged to have engaged in unsafe and unsound practices under 12 U.S.C. §1818(i)(2)(B) relating to CitiFinancial's actions to mislead examiners in connection with interviews of CitiFinancial employees conducted by examiners;

WHEREAS, Citigroup and CitiFinancial have acknowledged the deficiencies and the need for immediate corrective action and, during the course of the examination, CitiFinancial has taken several actions necessary to implement a comprehensive remediation program that addresses examiner concerns;

WHEREAS, the Board of Governors is assessing a civil money penalty against CitiFinancial for alleged violations of Regulation B associated with improperly requiring the signature of a co-applicant on credit instruments, alleged unsafe and unsound practices in connection with underwriting and lending practices in connection with loans subject to HOEPA, and alleged actions to mislead examiners in connection with their interviews of CitiFinancial employees;

WHEREAS, CitiFinancial has agreed to provide restitution to borrowers for the alleged Regulation B violations and alleged unsafe and unsound practices relating to underwriting and lending practices during the relevant time periods in accordance with the provisions of this Order;

WHEREAS, the civil money penalty assessed by this Order is in the amount of \$70,000,000, and this amount may be reduced by an amount of up to \$20,000,000 to the extent that actual restitution payments are made; and

WHEREAS, on May 19, 2004, the boards of directors of Citigroup and CitiFinancial, at duly constituted meetings, adopted resolutions:

A. Authorizing and directing Michael S. Helfer and Martin J. Wong to enter into this Order on behalf of Citigroup and CitiFinancial, respectively, and consenting to compliance by Citigroup and CitiFinancial and each of their institution-affiliated parties, as defined in Sections 3(u) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1813(u) and 1818(b)(3), with each and every applicable provision of this Order;

B. Waiving the issuance of a notice of charges and a notice of assessment of a civil money penalty on any and all matters set forth in this Order;

C. Waiving a hearing for the purpose of taking evidence on any and all matters set forth in this Order;

D. Waiving any and all rights to contest the issuance of a cease and desist order or an assessment of a civil money penalty by the Board of Governors pursuant to 12 U.S.C. § 1818;

E. Waiving any and all rights to judicial review of this Order; and

F. Waiving any and all rights to challenge or contest the validity, effectiveness, terms or enforceability of the provisions of this Order.

NOW, THEREFORE, before the filing of any notices, or taking of any testimony or adjudication of or finding on any issues of fact or law herein, and without this Order constituting an admission of any allegation made or implied by the Board of Governors in connection with this matter, and solely for the purpose of settling this

matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony and pursuant to the aforesaid resolutions:

IT IS HEREBY ORDERED, pursuant to sections 8(b) and 8(i) of the FDI Act, 12 U.S.C. §§ 1818(b) and (i), that:

**COMPLIANCE WITH
LAWS AND REGULATIONS**

1. CitiFinancial, and each of its institution-affiliated parties, shall cease and desist from practices and policies that violate Section 202.7(d)(1) of Regulation B, and from unsafe and unsound practices in connection with CitiFinancial's underwriting and lending activities.

2. CitiFinancial, and each of its institution-affiliated parties, shall not, directly or indirectly, violate Section 202.7(d)(1) of Regulation B of the Board of Governors and shall be in compliance with all applicable consumer protection laws, rules and regulations.

RESTITUTION PROGRAM

3. CitiFinancial shall take actions, consistent with sound banking practices, to correct alleged violations of Regulation B and alleged deficiencies with respect to underwriting and lending practices relating to Regulation Z, including the following:

a. Within 45 days of this Order, CitiFinancial shall submit to the Reserve Bank a written plan acceptable to the Reserve Bank to address the alleged Regulation B violations and Regulation Z deficiencies (the "Restitution Plan").

b. The Restitution Plan shall include, but not be limited to, the methodology and scope of review that CitiFinancial will use to comply with the requirements below, a schedule for timely completion of the Restitution Plan, and periodic reports to the

Reserve Bank throughout the implementation of the Restitution Plan. CitiFinancial shall immediately implement the Restitution Plan upon the Reserve Bank's approval of the Restitution Plan.

c. Under the Restitution Plan, within 90 days of the date CitiFinancial makes the restitution payments required herein, CitiFinancial shall provide the Reserve Bank with a Restitution Summary Report, providing the total amount of restitution payments paid to borrowers.

A. Regulation B Restitution

4. Regulation B Restitution shall be made available to borrowers who purchased joint credit insurance in connection with a co-applicant loan from CitiFinancial or any one of its U.S. retail branch network subsidiaries during the period from January 1, 2001 through December 31, 2002, subject to certain limited exclusions and the other terms of the Restitution Plan.

5. Regulation B Restitution shall consist of a refund of the differential between the cost of a joint and single insurance policy, plus any interest paid thereon.

B. Regulation Z Restitution

6. Regulation Z Restitution shall be made available to borrowers whose personal loans from CitiFinancial or its subsidiaries were refinanced by CitiFinancial or any one of its U.S. retail branch network subsidiaries to an "EquityPlus" loan covered by HOEPA as a permitted exception to CitiFinancial's Ability to Pay ("ATP") ratio policy during the 36 month period preceding December 31, 2002, subject to certain limited exclusions and the other terms of the Restitution Plan.

7. Regulation Z Restitution shall include: a refund of all points and fees charged to the borrower at origination of the EquityPlus loan, plus the amount of interest charged thereon; a refund of the difference between the interest paid by the borrower and the amount that would have been paid at the reduced interest rate after refunding all points and fees; a reduction in the borrower's interest rate to the reduced interest rate for the remainder of the loan; and the release of the security interest on the loan.

REMEDIAL MEASURES

8. Within 30 days of this Order, Citigroup shall designate and appoint a qualified senior CitiFinancial officer, or committee, acceptable to the Reserve Bank, for the purpose of coordinating, supervising, monitoring and overseeing the implementation of the remedial measures required in this Order.

A. Compliance

9. Within 30 days of this Order, Citigroup and CitiFinancial shall submit to the Reserve Bank an acceptable joint written program designed to document remedial steps they have taken and will take to ensure and maintain compliance with all applicable consumer protection laws and regulations to which CitiFinancial is subject. At a minimum, the program shall describe and include:

a. Escalation protocols adopted by Citigroup and CitiFinancial that ensure that material compliance issues can and will be reported to appropriate senior management of CitiFinancial outside of the business line, and that appropriate corrective action is take;

b. procedures for the regular submission to CitiFinancial's board of directors and to Citigroup's audit committee, or its equivalent, of formal written reports of

compliance issues that will include proposed remedial measures and a timetable for implementation of those measures;

c. Citigroup's program for regular and rigorous testing of CitiFinancial branches' compliance with CitiFinancial's policies and procedures and with all applicable consumer protection laws and regulations; and

d. mechanisms for the review and revision of all written manuals, including CitiFinancial's On-Line Manual, and other materials to ensure ongoing compliance with all applicable consumer protection laws and regulations.

B. Audit

10. Citigroup shall document remedial steps it has taken and will take to revise, and ensure that it has revised, its management structure and procedures regarding the internal audit function relating to the activities of CitiFinancial.

11. Within 60 days of this Order, Citigroup shall submit to the Reserve Bank an acceptable internal audit program designed to, at a minimum:

a. Provide that the internal audit function dedicated to CitiFinancial is fully consistent with the standards, policies, procedures and practices of Citigroup, and is independent of the business line;

b. provide for a comprehensive assessment of all auditable risks, including legal and reputational risks and the effectiveness of internal controls;

c. establish expectations for audit frequencies and audit scopes;

d. provide for comprehensive budgeting and the allocation of sufficient resources to fully implement the audit plan;

e. provide a tracking mechanism for audit findings, with procedures and processes to ensure that identified issues are fully resolved prior to being removed from the tracking system;

f. provide that CitiFinancial management respond in writing in a timely manner to audit findings that identify weaknesses or inadequacies in the compliance program;

g. provide that CitiFinancial senior management must establish a process to monitor the status and ensure effective follow-up of corrective action taken to address weaknesses identified by audit and compliance personnel, and establish procedures to validate that appropriate remedial action has occurred;

h. establish a protocol for the reporting of audit issues to management inside and outside of the business line that includes the regular submission to CitiFinancial's board of directors and to Citigroup's audit committee, or its equivalent, of formal written reports of audit findings, proposed remedial measures, and a timetable for the implementation of those measures; and

i. provide for the escalation of audit issues based on the severity or time outstanding to ensure that issues receive the appropriate level of management attention.

C. Training

12. Within 30 days of this Order, Citigroup and CitiFinancial shall submit to the Reserve Bank an acceptable joint written training program designed to document steps to enhance training, and to ensure and maintain compliance by CitiFinancial with all applicable consumer protection laws, rules and regulations. At a minimum, the written training program shall include the following:

a. A program of required comprehensive training sessions for all CitiFinancial employees to ensure employees are knowledgeable about, and in compliance with, all applicable consumer protection laws, rules and regulations. This training must include, without limitation:

i. training related to Section 202.7(d)(1) of Regulation B to ensure, among other things, that employees do not require the signature of a co-applicant, or the assumption of a co-applicant, on an individual loan without first determining whether the applicant qualifies for the loan based on his or her own creditworthiness and informing the applicant of his or her option to apply individually; and

ii. training to ensure, among other things, that employees are not making defensive loans to borrowers based on a borrower's collateral to better secure CitiFinancial's position without regard for the borrower's ability to pay.

b. All training shall be conducted by competent and qualified personnel, knowledgeable in all aspects of the applicable laws, rules and regulations.

c. All CitiFinancial personnel shall receive the training required by paragraph 12(a) at least once a year and all newly hired personnel shall receive such training immediately upon being hired.

d. All material covered in the training required by paragraph 12(a) shall be contained in a training manual. All training materials, including CitiFinancial's On-Line Manual, shall be updated on a regular basis to ensure that all personnel have the most current and up to date information.

e. All compliance training shall be coordinated with training related to insurance sales practices in connection with each CitiFinancial loan product to ensure that

all insurance sales practices are in compliance with all applicable laws, rules and regulations.

D. Internal Controls

13. Within 30 days of this Order, Citigroup and CitiFinancial shall submit to the Reserve Bank acceptable joint written policies and procedures designed to improve internal controls at CitiFinancial. The policies and procedures shall, at a minimum:

- a. Set forth specific criteria under which exceptions to CitiFinancial's credit qualifications, including but not limited to ATP score minimums, may be made by CitiFinancial employees if exceptions are allowed to CitiFinancial's credit qualification criteria, and this exception policy shall be made a part of CitiFinancial's training and other appropriate materials;
- b. require CitiFinancial employees to document adequately their reasons for granting any requests for exceptions to CitiFinancial's credit qualification criteria;
- c. provide documentation of the revision to CitiFinancial's "tangible benefits test" to eliminate "curing a delinquency" as one of the benefits justifying the upgrade of a borrower's personal loan to a real estate secured high cost loan;
- d. require that any changes to an applicant's credit history be explained in the notes section of the electronic loan file for that applicant and be approved by a branch, district or regional manager;
- e. document steps they have taken and will take to ensure revisions to CitiFinancial's compensation structure so that the structure includes adequate disincentives at both the branch and management level for violating any applicable consumer protection laws, rules or regulations; and

f. enhance all management information systems to ensure that branch employees cannot circumvent the controls built into those systems, including but not limited to the controls for calculating an applicant's ATP score, and to ensure that the systems are in full compliance with all applicable consumer protection laws, rules and regulations.

E. Interactions With Regulatory Authorities

14. Within 30 days of this Order, CitiFinancial shall submit to the Reserve Bank acceptable written policies and procedures for participation by CitiFinancial personnel in all regulatory matters at CitiFinancial. The policies and procedures shall, at a minimum:

- a. Underscore the importance of full and honest cooperation with regulatory authorities by all employees, including, in particular, supervisory employees; and
- b. provide for consistent document retention policies and procedures and ensure that such policies and procedures are complied with throughout the CitiFinancial organization

APPROVALS AND PROGRESS REPORTS

15. The programs, plans, policies and procedures required by paragraphs 3 through 14 of this Order shall be submitted to the Reserve Bank for review and approval. Acceptable programs, plans, policies and procedures shall be submitted to the Reserve Bank within the time periods set forth in this Order. Citigroup and CitiFinancial shall, where applicable, adopt the approved programs, plans, policies and procedures within 10 days of approval and then shall fully comply with them and the Restitution Plan. During the term of this Order, the approved programs, plans, policies and procedures shall not be amended or rescinded without the prior written approval of the Reserve Bank.

16. Within 60 days following this Order, and within 45 days of the last business day of every calendar quarter thereafter, Citigroup and CitiFinancial shall jointly submit a written progress report to the Reserve Bank. The progress report shall detail the actions taken to comply with each provision of this Order and the results of those actions. The Reserve Bank, at its discretion, may require additional progress reports if necessary. Such reports may be discontinued when the Reserve Bank, in writing, releases Citigroup and CitiFinancial from making further reports.

ASSESSMENT OF CIVIL MONEY PENALTY

17. CitiFinancial is hereby assessed a civil money penalty ("CMP") in the sum of \$70,000,000 to be paid to the Board of Governors as follows:

a. \$50,000,000 shall be paid at the time of the execution of this Order by wire transfer of immediately available funds to the Federal Reserve Bank of New York, ABA No. 021001208, to the attention of Thomas C. Baxter, Jr., General Counsel and Executive Vice President. The Federal Reserve Bank of New York, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of Treasury, pursuant to Section 8(i) of the FDI Act.

b. Pursuant to Section 8(i)(F) of the FDI Act, to the extent that the restitution payments required pursuant to paragraphs 4 through 7 above are redeemed or otherwise accepted, the Board of Governors shall remit the civil money penalty of \$70,000,000 assessed by this Order by an amount of up to \$20,000,000.

c. CitiFinancial will make restitution to all borrowers identified pursuant to paragraph 4 through 7 above. Although the amount available for restitution will exceed

\$50,000,000, in no event, however, shall the Board of Governors remit the assessed \$70,000,000 CMP below \$50,000,000.

18. At the end of the 120-day period following the date that CitiFinancial provides the Reserve Bank with the Restitution Summary Report described in paragraph 3(c) above, CitiFinancial shall pay any unremitted balance of the assessed CMP plus interest calculated from the date of execution of this Order at the rate set forth in 28 U.S.C. § 1961. Payment shall be made by wire transfer of immediately available funds to the Federal Reserve Bank of New York, ABA No. 021001208, to the attention of Thomas C. Baxter, Jr., General Counsel and Executive Vice President. The Federal Reserve Bank of New York, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of Treasury, pursuant to Section 8(i) of the FDI Act.

NOTICES

19. All communications regarding this Order shall be sent to:

Mr. Brian Peters
Senior Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

Citigroup Inc.
Michael S. Helfer, Esq.
399 Park Avenue
New York, NY 10043

MISCELLANEOUS

20. The provisions of this Order shall be binding, where applicable, on Citigroup and CitiFinancial and each of their institution-affiliated parties, in their capacities as such, and their successors and assigns.

21. Each provision of this Order shall remain in effect and enforceable until stayed, modified, terminated or suspended in writing by the Board of Governors.


22. Notwithstanding any provision of this Order, the Board of Governors may, at its sole discretion, grant written extensions of time to Citigroup and CitiFinancial to comply with any provision of this Order. The Board of Governors delegates to the Reserve Bank its authority to grant, in the Reserve Bank's sole discretion, written extensions of time to comply with the provisions of this Order.

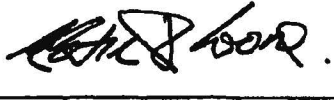
23. The provisions of this Order shall not bar, estop or otherwise prevent the Board of Governors, the Reserve Bank, or any federal or state agency from taking any further action affecting Citigroup or CitiFinancial, or any of their current or former institution-affiliated parties, as defined in Sections 3(u) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1813(u) and 1818(b)(3).

By order of the Board of Governors of the Federal Reserve effective this 27th day of May 2004.

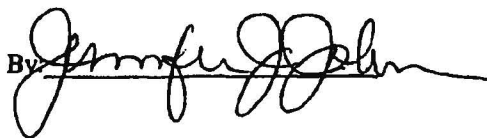
CITIGROUP INC.
New York

CITIFINANCIAL CREDIT CO.
Baltimore, MD

By: 

By: 

**BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM**

By: 

CONFIDENTIAL

May 24, 2004

TO: Board of Governors Subject: Proposed Enforcement Action
Against Citigroup Inc., New York, New
FROM: Staff¹ York, and its nonbanking subsidiary,
CitiFinancial Credit Company, Baltimore,
Maryland

ACTION REQUESTED: Management of Citigroup Inc. has agreed to a consent enforcement action in connection with the lending activities of its subprime nonbanking subsidiary, CitiFinancial Credit Company ("CitiFinancial"). The action relates to violations of Regulation B (the Board's equal credit regulation) in connection with CitiFinancial's subprime personal and home mortgage lending operations, failure to have standards for granting exceptions to its repayment ability criteria for high-cost mortgage loans, and obstruction of the examination by the Federal Reserve Bank of New York ("Reserve Bank").

If no Board member objects, the General Counsel, with the concurrence of the Director of the Division of Banking Supervision and Regulation, will act under delegated authority to approve the attached Order. The Order imposes a civil money penalty of up to \$70 million and requires restitution to aggrieved borrowers (estimated to range between \$33 million and \$60 million). This action represents the largest civil money penalty imposed by the Board involving compliance with consumer law and the

¹ Legal Division (Messrs. Mattingly, Alvarez and Ashton, Mss. Robinson and Mizusawa); Division of Banking Supervision and Regulation (Mr. Biern, Ms. Nichols); Division of Consumer and Community Affairs (Ms. Braunstein, Messrs. Loney and Cook); and Federal Reserve Bank of New York (Messrs. Baxter, Rutledge and Hodgetts, Mss. Leventhal and Greene).

most significant enforcement action taken by the Board that requires restitution to consumers.

DISCUSSION: In 2000, Citigroup acquired Associates First Capital Corporation ("Associates"), a subprime lender under investigation by the Federal Trade Commission for potential violations of consumer protection laws. In connection with a major Citigroup bank acquisition proposal approved by the Board in 2001, the Board ordered an examination of CitiFinancial and CitiFinancial Mortgage Company, Inc. ("CFM"), two subprime nonbanking subsidiaries of Citigroup that assumed most of the businesses of Associates. The purpose of the Board-ordered examination was to assess the implementation by CitiFinancial and CFM of a series of initiatives proposed by Citigroup in connection with its acquisition of Associates to ensure compliance with the consumer protection laws and regulations and to prevent abusive practices related to the real estate-secured lending activities at these companies ("Initiatives").

Examiners of the Federal Reserve Bank of New York, in conjunction with Board staff, commenced the examination in October 2001. Examiners determined that, overall, CitiFinancial substantially implemented the Initiatives.² However, examiners also found serious concerns with CitiFinancial's compliance risk management system. These concerns related to CitiFinancial's own activities rather than to the former Associates' activities. Branch personnel with limited compliance knowledge operated in

² Several of the Initiatives, while implemented by Citigroup as promised, were not as effective in preventing potentially abusive practices as had been expected, such as those related to its insurance sales practices and access to prime credit programs. However, CitiFinancial has taken steps to improve these Initiatives.

an environment highly influenced by compensation goals without sufficient internal controls to monitor and address compliance risk. Examiners found that CitiFinancial lacked effective training, management oversight, audit programs, and other internal controls.

In 2002, the examination was expanded into an investigation of practices beyond implementation of the Initiatives because of these concerns. After a comprehensive investigation, Board and Reserve Bank staffs have concluded that CitiFinancial engaged in three actionable practices. First, CitiFinancial committed widespread violations of Regulation B by requiring numerous applicants to have a cosigner on a loan without first determining whether the applicant qualified independently for the loan. This practice was motivated by joint insurance policy sales goals, and was encouraged by CitiFinancial's insurance sales training program and compensation system.

Second, CitiFinancial allowed exceptions to be granted to the loan underwriting standards for its EquityPlus home equity loans subject to the Home Ownership and Equity Protection Act of 1994 ("HOEPA") and the Board's Regulation Z without having established criteria for determining when to grant exceptions. CitiFinancial lacked other controls to ensure that employees consistently obtained accurate loan application information and considered the applicant's ability to repay. As a result, CitiFinancial could not adequately support either the reason for many exceptions granted or compliance with the requirements of HOEPA for consideration of repayment ability.

Third, CitiFinancial misled examiners by encouraging some employees being interviewed by examiners to adhere to a question and answer script prepared by CitiFinancial's headquarters office that did not

accurately reflect the employees' practices. The actions to obstruct the examination process also may involve criminal offenses. The Reserve Bank has referred this matter to the U.S. Attorney's Office for further investigation.

These findings were presented to the Committee on Consumer and Community Affairs on December 11, 2003, along with Staff's recommendation to negotiate with Citigroup the final terms of a consent agreement that included a civil money penalty and remedial measures. In addition, the Committee believed that the Reserve Bank should conduct another examination of CitiFinancial, in approximately one year, to assess CitiFinancial's implementation of the remedial actions in the consent agreement and revisions to the Initiatives, including revised compliance management programs and insurance sales practices.

The attached Order includes the following major provisions:

- Payment of a civil money penalty of up to \$70 million for the alleged violations of Regulation B associated with improperly requiring a co-applicant on personal and real estate-secured loans, unsafe and unsound practices in connection with the underwriting and lending practices involving Equity Plus loans subject to HOEPA and Regulation Z, and actions to mislead examiners in connection with their interviews of CitiFinancial employees.
- Restitution to certain borrowers for the alleged Regulation B violations ("Regulation B Restitution") and for the unsafe and unsound lending practices in connection with its Equity Plus loans subject to HOEPA and Regulation Z ("Regulation Z Restitution"). Citigroup currently estimates that the amount of Regulation B Restitution paid will range between \$30 million and \$56 million and

that the amount of Regulation Z Restitution paid will range between \$3 million and \$3.5 million.³

- A remittance of the civil money penalty by an amount of up to \$20 million for restitution paid to aggrieved borrowers, as described below. Although the restitution amount paid to borrowers should exceed \$20 million, the civil money penalty will not be remitted below \$50 million.
- CitiFinancial must submit a detailed Restitution Plan acceptable to the Reserve Bank.
- Regulation B Restitution will be available to borrowers nationwide who purchased joint credit insurance in connection with a co-applicant loan from CitiFinancial, during the period from January 1, 2001 through December 31, 2002, subject to certain exclusions in the Restitution Plan. The Regulation B Restitution will consist of a refund of the differential between the cost of a single insurance policy and the joint insurance policy that was purchased in connection with the loan, plus any interest paid thereon.
- Regulation Z Restitution will be available to borrowers nationwide whose personal loans from CitiFinancial were

³ Citigroup currently estimates that the total amount of Regulation B Restitution available to borrowers will range between \$60 million and \$80 million. However, to receive Regulation B Restitution eligible borrowers will have to sign a release with respect to CitiFinancial's liability for the Regulations B violations that are covered by the Order. Those borrowers who do not sign the release and accept the restitution may bring litigation against CitiFinancial for violations covered by the Order. Citigroup currently expects approximately 50 to 70 percent of eligible borrowers to sign the release and accept the Regulation B Restitution.

refinanced by CitiFinancial to an Equity Plus loan (covered by HOEPA and Regulation Z) as an exception to CitiFinancial's underwriting standards for evaluating ability to pay during the three-year period preceding December 31, 2002, subject to certain exclusions in the Restitution Plan. The Regulation Z Restitution will include a refund of points and fees charged at origination of the EquityPlus loan and a reduction in the borrower's interest rate sufficient to cause the loan to be below the HOEPA trigger rate, plus the release of the security interest on the loan.

- Other remedial measures in the Order, which Citigroup and CitiFinancial have already begun to implement, include--
 - Establishing an acceptable written compliance program that includes escalation protocols to ensure that material compliance issues at CitiFinancial are reported to appropriate senior management outside the business line and that appropriate corrective action is taken, and regular reporting of compliance issues and corrective actions to CitiFinancial's board of directors and Citigroup's audit committee.
 - Implementing an acceptable internal audit program at Citigroup related to the activities of CitiFinancial that provides for the comprehensive assessment of all auditable risks (including legal and reputational risks) and effectiveness of internal controls, and includes a protocol for reporting audit issues inside and outside the business line, with regular submissions to CitiFinancial's board of directors and Citigroup's audit committee.

- Establishing an acceptable written training program for all CitiFinancial employees to help ensure and maintain compliance with all applicable consumer protection laws and regulations.
- Adopting acceptable written policies and procedures to improve internal controls at CitiFinancial and to enhance management information systems to prevent CitiFinancial employees from circumventing controls built into the systems.
- Implementing acceptable written policies and procedures for interactions by CitiFinancial employees with regulatory authorities.

Attachment

UNITED STATES OF AMERICA
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

In the Matter of)	
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CITIGROUP INC.)	Order to Cease and Desist
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CITIFINANCIAL CREDIT COMPANY)	
Baltimore, Maryland)	
)	

WHEREAS, in recognition of their common goals to ensure compliance with all applicable laws, rules and regulations by Citigroup Inc., New York, New York ("Citigroup"), a bank holding company as defined in the Bank Holding Company Act, 12 U.S.C. § 1841 ("BHC Act"), and the Federal Deposit Insurance Act, 12 U.S.C. § 1813 ("FDI Act"), and its non-bank subsidiary, CitiFinancial Credit Company, Baltimore, Maryland ("CitiFinancial"), and to ensure effective management of the financial, operational, legal, reputational and compliance risks of CitiFinancial, Citigroup, CitiFinancial, and the Board of Governors of the Federal Reserve System ("Board of Governors") have mutually agreed to enter into this combined Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent (the "Order");

WHEREAS, the Federal Reserve Bank of New York (the "Reserve Bank") conducted an examination of CitiFinancial to assess the implementation of certain lending initiatives that were announced by Citigroup in November 2000, which have been substantially implemented;

WHEREAS, the examination was conducted pursuant to the terms of the Board of Governors' order approving the acquisition of European American Bank, Uniondale, New York by Citigroup, Citigroup Holdings Company and Citicorp in July 2001, which terms were reiterated in the order approving the acquisition of Golden State Bancorp Inc. and California Federal Bank, both of San Francisco, California, by Citigroup in October 2002;

WHEREAS, during the course of that examination, the Reserve Bank reviewed CitiFinancial's lending practices in 2000 and 2001 and believes that there are violations and deficiencies that CitiFinancial must take immediate action to correct. Specifically, the Reserve Bank alleges the following violations and deficiencies. First, CitiFinancial is alleged to have failed to comply with Section 202.7(d)(1) of Regulation B of the Board of Governors ("Regulation B"), 12 C.F.R. § 202.7(d)(1) (implementing the requirements of the Equal Credit Opportunity Act ("ECOA"), 15 U.S.C. § 1691 et seq.), which prohibits a creditor from requiring the signature of a spouse or other person ("co-applicant") on a credit instrument if the applicant qualifies based on his or her own creditworthiness. These alleged violations occurred in connection with attempts to increase joint insurance sales through an increased volume of co-applicant loans. Second, CitiFinancial is alleged to have engaged in unsafe and unsound practices under 12 U.S.C. § 1818(i)(2)(B) in connection with CitiFinancial's underwriting and lending practices with respect to certain

loans subject to the Home Ownership and Equity Protection Act of 1994, 15 U.S.C. § 1639 et seq. ("HOEPA") and Regulation Z of the Board of Governors ("Regulation Z"), 12 C.F.R. Part 228. Third, CitiFinancial is alleged to have engaged in unsafe and unsound practices under 12 U.S.C. § 1818(i)(2)(B) relating to CitiFinancial's actions to mislead examiners in connection with interviews of CitiFinancial employees conducted by examiners;

WHEREAS, Citigroup and CitiFinancial have acknowledged the deficiencies and the need for immediate corrective action and, during the course of the examination, CitiFinancial has taken several actions necessary to implement a comprehensive remediation program that addresses examiner concerns;

WHEREAS, the Board of Governors is assessing a civil money penalty against CitiFinancial for alleged violations of Regulation B associated with improperly requiring the signature of a co-applicant on credit instruments, alleged unsafe and unsound practices in connection with underwriting and lending practices in connection with loans subject to HOEPA, and alleged actions to mislead examiners in connection with their interviews of CitiFinancial employees;

WHEREAS, CitiFinancial has agreed to provide restitution to borrowers for the alleged Regulation B violations and alleged unsafe and unsound practices relating to underwriting and lending practices during the relevant time periods in accordance with the provisions of this Order;

WHEREAS, the civil money penalty assessed by this Order is in the amount of \$70,000,000, and this amount may be reduced by an amount of up to \$20,000,000 to the extent that actual restitution payments are made; and

WHEREAS, on May __, 2004, the boards of directors of Citigroup and CitiFinancial, at duly constituted meetings, adopted resolutions:

- A. Authorizing and directing _____ and _____ to enter into this Order on behalf of Citigroup and CitiFinancial, respectively, and consenting to compliance by Citigroup and CitiFinancial and each of their institution-affiliated parties, as defined in Sections 3(u) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1813(u) and 1818(b)(3), with each and every applicable provision of this Order;
- B. Waiving the issuance of a notice of charges and a notice of assessment of a civil money penalty on any and all matters set forth in this Order;
- C. Waiving a hearing for the purpose of taking evidence on any and all matters set forth in this Order;
- D. Waiving any and all rights to contest the issuance of a cease and desist order or an assessment of a civil money penalty by the Board of Governors pursuant to 12 U.S.C. § 1818;
- E. Waiving any and all rights to judicial review of this Order; and
- F. Waiving any and all rights to challenge or contest the validity, effectiveness, terms or enforceability of the provisions of this Order.

NOW, THEREFORE, before the filing of any notices, or taking of any testimony or adjudication of or finding on any issues of fact or law herein, and without this Order constituting an admission of any allegation made or implied by the Board of Governors in connection with this matter, and solely for the purpose of settling this

matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony and pursuant to the aforesaid resolutions:

IT IS HEREBY ORDERED, pursuant to sections 8(b) and 8(i) of the FDI Act, 12 U.S.C. §§ 1818(b) and (i), that:

**COMPLIANCE WITH
LAWS AND REGULATIONS**

1. CitiFinancial, and each of its institution-affiliated parties, shall cease and desist from practices and policies that violate Section 202.7(d)(1) of Regulation B, and from unsafe and unsound practices in connection with CitiFinancial's underwriting and lending activities.

2. CitiFinancial, and each of its institution-affiliated parties, shall not, directly or indirectly, violate Section 202.7(d)(1) of Regulation B of the Board of Governors and shall be in compliance with all applicable consumer protection laws, rules and regulations.

RESTITUTION PROGRAM

3. CitiFinancial shall take actions, consistent with sound banking practices, to correct alleged violations of Regulation B and alleged deficiencies with respect to underwriting and lending practices relating to Regulation Z, including the following:

a. Within 45 days of this Order, CitiFinancial shall submit to the Reserve Bank a written plan acceptable to the Reserve Bank to address the alleged Regulation B violations and Regulation Z deficiencies (the "Restitution Plan").

b. The Restitution Plan shall include, but not be limited to, the methodology and scope of review that CitiFinancial will use to comply with the requirements below, a schedule for timely completion of the Restitution Plan, and periodic reports to the

Reserve Bank throughout the implementation of the Restitution Plan. CitiFinancial shall immediately implement the Restitution Plan upon the Reserve Bank's approval of the Restitution Plan.

c. Under the Restitution Plan, within 90 days of the date CitiFinancial makes the restitution payments required herein, CitiFinancial shall provide the Reserve Bank with a Restitution Summary Report, providing the total amount of restitution payments paid to borrowers.

A. Regulation B Restitution

4. Regulation B Restitution shall be made available to borrowers who purchased joint credit insurance in connection with a co-applicant loan from CitiFinancial or any one of its U.S. retail branch network subsidiaries during the period from January 1, 2001 through December 31, 2002, subject to certain limited exclusions and the other terms of the Restitution Plan.

5. Regulation B Restitution shall consist of a refund of the differential between the cost of a joint and single insurance policy, plus any interest paid thereon.

B. Regulation Z Restitution

6. Regulation Z Restitution shall be made available to borrowers whose personal loans from CitiFinancial or its subsidiaries were refinanced by CitiFinancial or any one of its U.S. retail branch network subsidiaries to an "EquityPlus" loan covered by HOEPA as a permitted exception to CitiFinancial's Ability to Pay ("ATP") ratio policy during the 36 month period preceding December 31, 2002, subject to certain limited exclusions and the other terms of the Restitution Plan.

7. Regulation Z Restitution shall include: a refund of all points and fees charged to the borrower at origination of the EquityPlus loan, plus the amount of interest charged thereon; a refund of the difference between the interest paid by the borrower and the amount that would have been paid at the reduced interest rate after refunding all points and fees; a reduction in the borrower's interest rate to the reduced interest rate for the remainder of the loan; and the release of the security interest on the loan.

REMEDIAL MEASURES

8. Within 30 days of this Order, Citigroup shall designate and appoint a qualified senior CitiFinancial officer, or committee, acceptable to the Reserve Bank, for the purpose of coordinating, supervising, monitoring and overseeing the implementation of the remedial measures required in this Order.

A. Compliance

9. Within 30 days of this Order, Citigroup and CitiFinancial shall submit to the Reserve Bank an acceptable joint written program designed to document remedial steps they have taken and will take to ensure and maintain compliance with all applicable consumer protection laws and regulations to which CitiFinancial is subject. At a minimum, the program shall describe and include:

a. Escalation protocols adopted by Citigroup and CitiFinancial that ensure that material compliance issues can and will be reported to appropriate senior management of CitiFinancial outside of the business line, and that appropriate corrective action is take;

b. procedures for the regular submission to CitiFinancial's board of directors and to Citigroup's audit committee, or its equivalent, of formal written reports of

compliance issues that will include proposed remedial measures and a timetable for implementation of those measures;

c. Citigroup's program for regular and rigorous testing of CitiFinancial branches' compliance with CitiFinancial's policies and procedures and with all applicable consumer protection laws and regulations; and

d. mechanisms for the review and revision of all written manuals, including CitiFinancial's On-Line Manual, and other materials to ensure ongoing compliance with all applicable consumer protection laws and regulations.

B. Audit

10. Citigroup shall document remedial steps it has taken and will take to revise, and ensure that it has revised, its management structure and procedures regarding the internal audit function relating to the activities of CitiFinancial.

11. Within 60 days of this Order, Citigroup shall submit to the Reserve Bank an acceptable internal audit program designed to, at a minimum:

a. Provide that the internal audit function dedicated to CitiFinancial is fully consistent with the standards, policies, procedures and practices of Citigroup, and is independent of the business line;

b. provide for a comprehensive assessment of all auditable risks, including legal and reputational risks and the effectiveness of internal controls;

c. establish expectations for audit frequencies and audit scopes;

d. provide for comprehensive budgeting and the allocation of sufficient resources to fully implement the audit plan;

e. provide a tracking mechanism for audit findings, with procedures and processes to ensure that identified issues are fully resolved prior to being removed from the tracking system;

f. provide that CitiFinancial management respond in writing in a timely manner to audit findings that identify weaknesses or inadequacies in the compliance program;

g. provide that CitiFinancial senior management must establish a process to monitor the status and ensure effective follow-up of corrective action taken to address weaknesses identified by audit and compliance personnel, and establish procedures to validate that appropriate remedial action has occurred;

h. establish a protocol for the reporting of audit issues to management inside and outside of the business line that includes the regular submission to CitiFinancial's board of directors and to Citigroup's audit committee, or its equivalent, of formal written reports of audit findings, proposed remedial measures, and a timetable for the implementation of those measures; and

i. provide for the escalation of audit issues based on the severity or time outstanding to ensure that issues receive the appropriate level of management attention.

C. Training

12. Within 30 days of this Order, Citigroup and CitiFinancial shall submit to the Reserve Bank an acceptable joint written training program designed to document steps to enhance training, and to ensure and maintain compliance by CitiFinancial with all applicable consumer protection laws, rules and regulations. At a minimum, the written training program shall include the following:

a. A program of required comprehensive training sessions for all CitiFinancial employees to ensure employees are knowledgeable about, and in compliance with, all applicable consumer protection laws, rules and regulations. This training must include, without limitation:

i. training related to Section 202.7(d)(1) of Regulation B to ensure, among other things, that employees do not require the signature of a co-applicant, or the assumption of a co-applicant, on an individual loan without first determining whether the applicant qualifies for the loan based on his or her own creditworthiness and informing the applicant of his or her option to apply individually; and

ii. training to ensure, among other things, that employees are not making defensive loans to borrowers based on a borrower's collateral to better secure CitiFinancial's position without regard for the borrower's ability to pay.

b. All training shall be conducted by competent and qualified personnel, knowledgeable in all aspects of the applicable laws, rules and regulations.

c. All CitiFinancial personnel shall receive the training required by paragraph 12(a) at least once a year and all newly hired personnel shall receive such training immediately upon being hired.

d. All material covered in the training required by paragraph 12(a) shall be contained in a training manual. All training materials, including CitiFinancial's On-Line Manual, shall be updated on a regular basis to ensure that all personnel have the most current and up to date information.

e. All compliance training shall be coordinated with training related to insurance sales practices in connection with each CitiFinancial loan product to ensure that

all insurance sales practices are in compliance with all applicable laws, rules and regulations.

D. Internal Controls

13. Within 30 days of this Order, Citigroup and CitiFinancial shall submit to the Reserve Bank acceptable joint written policies and procedures designed to improve internal controls at CitiFinancial. The policies and procedures shall, at a minimum:

- a. Set forth specific criteria under which exceptions to CitiFinancial's credit qualifications, including but not limited to ATP score minimums, may be made by CitiFinancial employees if exceptions are allowed to CitiFinancial's credit qualification criteria, and this exception policy shall be made a part of CitiFinancial's training and other appropriate materials;
- b. require CitiFinancial employees to document adequately their reasons for granting any requests for exceptions to CitiFinancial's credit qualification criteria;
- c. provide documentation of the revision to CitiFinancial's "tangible benefits test" to eliminate "curing a delinquency" as one of the benefits justifying the upgrade of a borrower's personal loan to a real estate secured high cost loan;
- d. require that any changes to an applicant's credit history be explained in the notes section of the electronic loan file for that applicant and be approved by a branch, district or regional manager;
- e. document steps they have taken and will take to ensure revisions to CitiFinancial's compensation structure so that the structure includes adequate disincentives at both the branch and management level for violating any applicable consumer protection laws, rules or regulations; and

f. enhance all management information systems to ensure that branch employees cannot circumvent the controls built into those systems, including but not limited to the controls for calculating an applicant's ATP score, and to ensure that the systems are in full compliance with all applicable consumer protection laws, rules and regulations.

E. Interactions With Regulatory Authorities

14. Within 30 days of this Order, CitiFinancial shall submit to the Reserve Bank acceptable written policies and procedures for participation by CitiFinancial personnel in all regulatory matters at CitiFinancial. The policies and procedures shall, at a minimum:

- a. Underscore the importance of full and honest cooperation with regulatory authorities by all employees, including, in particular, supervisory employees; and
- b. provide for consistent document retention policies and procedures and ensure that such policies and procedures are complied with throughout the CitiFinancial organization

APPROVALS AND PROGRESS REPORTS

15. The programs, plans, policies and procedures required by paragraphs 3 through 14 of this Order shall be submitted to the Reserve Bank for review and approval. Acceptable programs, plans, policies and procedures shall be submitted to the Reserve Bank within the time periods set forth in this Order. Citigroup and CitiFinancial shall, where applicable, adopt the approved programs, plans, policies and procedures within 10 days of approval and then shall fully comply with them and the Restitution Plan. During the term of this Order, the approved programs, plans, policies and procedures shall not be amended or rescinded without the prior written approval of the Reserve Bank.

16. Within 60 days following this Order, and within 45 days of the last business day of every calendar quarter thereafter, Citigroup and CitiFinancial shall jointly submit a written progress report to the Reserve Bank. The progress report shall detail the actions taken to comply with each provision of this Order and the results of those actions. The Reserve Bank, at its discretion, may require additional progress reports if necessary. Such reports may be discontinued when the Reserve Bank, in writing, releases Citigroup and CitiFinancial from making further reports.

ASSESSMENT OF CIVIL MONEY PENALTY

17. CitiFinancial is hereby assessed a civil money penalty ("CMP") in the sum of \$70,000,000 to be paid to the Board of Governors as follows:

- a. \$50,000,000 shall be paid at the time of the execution of this Order by wire transfer of immediately available funds to the Federal Reserve Bank of New York, ABA No. 021001208, to the attention of Thomas C. Baxter, Jr., General Counsel and Executive Vice President. The Federal Reserve Bank of New York, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of Treasury, pursuant to Section 8(i) of the FDI Act.
- b. Pursuant to Section 8(i)(F) of the FDI Act, to the extent that the restitution payments required pursuant to paragraphs 4 through 7 above are redeemed or otherwise accepted, the Board of Governors shall remit the civil money penalty of \$70,000,000 assessed by this Order by an amount of up to \$20,000,000.
- c. CitiFinancial will make restitution to all borrowers identified pursuant to paragraph 4 through 7 above. Although the amount available for restitution will exceed

\$50,000,000, in no event, however, shall the Board of Governors remit the assessed \$70,000,000 CMP below \$50,000,000.

18. At the end of the 120-day period following the date that CitiFinancial provides the Reserve Bank with the Restitution Summary Report described in paragraph 3(c) above, CitiFinancial shall pay any unremitted balance of the assessed CMP plus interest calculated from the date of execution of this Order at the rate set forth in 28 U.S.C. § 1961. Payment shall be made by wire transfer of immediately available funds to the Federal Reserve Bank of New York, ABA No. 021001208, to the attention of Thomas C. Baxter, Jr., General Counsel and Executive Vice President. The Federal Reserve Bank of New York, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of Treasury, pursuant to Section 8(i) of the FDI Act.

NOTICES

19. All communications regarding this Order shall be sent to:

Mr. Brian Peters
Senior Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045

Citigroup Inc.
Michael S. Helfer, Esq.
399 Park Avenue
New York, NY 10043

MISCELLANEOUS

20. The provisions of this Order shall be binding, where applicable, on Citigroup and CitiFinancial and each of their institution-affiliated parties, in their capacities as such, and their successors and assigns.

21. Each provision of this Order shall remain in effect and enforceable until stayed, modified, terminated or suspended in writing by the Board of Governors.

22. Notwithstanding any provision of this Order, the Board of Governors may, at its sole discretion, grant written extensions of time to Citigroup and CitiFinancial to comply with any provision of this Order. The Board of Governors delegates to the Reserve Bank its authority to grant, in the Reserve Bank's sole discretion, written extensions of time to comply with the provisions of this Order.

23. The provisions of this Order shall not bar, estop or otherwise prevent the Board of Governors, the Reserve Bank, or any federal or state agency from taking any further action affecting Citigroup or CitiFinancial, or any of their current or former institution-affiliated parties, as defined in Sections 3(u) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1813(u) and 1818(b)(3).

By order of the Board of Governors of the Federal Reserve effective this ____ day of May 2004.

CITIGROUP INC.
New York

CITIFINANCIAL CREDIT CO.
Baltimore, MD

By: _____

By: _____

**BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM**

By: _____

CONFIDENTIAL

OFFICE OF THE SECRETARY
NOTATION VOTING
TALLY SHEET

Memorandum circulated for

X Vote
Review
Comment
Other

Month/Year May, 2004
Number 11
Dist Date 5/24/04
Due Date 5/26/04

From Legal Division

Subject CITIGROUP INC. - ENFORCEMENT ACTION

Distribution Board, Ms. Johnson, Mr. Frierson, Margie Shanks, Minutes Section, Public Affairs, Virgil Mattingly, Scott Alvarez, Rich Ashton, Pat Robinson, Yvonne Mizusawa, Herb Biern, Diana Nichols, Sandra Braunstein, Glen Loney, Robert Cook, and (NY Staff - Tom Baxter, Bill Rutledge, Hodgetts, Leventhal, Greene)

	<u>RESPONSE</u>	<u>DATE</u>	<u>REMARKS</u>
Greenspan	no objection	5/24	
Ferguson	no objection	5/26	
Gramlich	no objection	5/24	
Bies	no objection	5/25	
Olson	no objection	5/26	
Bernanke	no objection	5/24	
Kohn	no objection	5/24	

Vote Results _____
Without _____

Vote Date _____
Comment Cycle Date 5/26/04
Review Cycle Date _____
Other Action Date _____

Referred to Board Agenda by Governor (s) _____

Final Disposition

PR and Orders to Cease and Desist and Assessment, dated 5/27/04.

CONFIDENTIAL

To: Board of Governors
From: Office of the Secretary
(Bob Frierson)

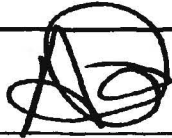
May 24, 2004

Review and Comment
Board of Governors

SUBJECT:	CITIGROUP INC. -- ENFORCEMENT ACTION
SUMMARY:	<p>Proposed issuance on consent of orders to cease and desist and to assess a civil money penalty.</p> <p><u>Materials</u> relating to this matter are attached for your review. No vote is required, but we request that you respond by typing "No Objection" or "Objection" in the Comments box. Unless a Board member objects, the General Counsel will approve the enforcement action by 5 PM on Wednesday, May 26.</p>

Comments: <i>No objection</i>

Signature: _____



Date: _____

5/24/04

Please return your signed and dated vote sheet to the Clearing and Correspondence Section, Stop 30, or Room B-2222.

List of Contacts	
Pat Robinson (Legal, Ext. 3005)	