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From: [Phyllis L Harwell](#)
To: [FCIC-Feb-2010-Request](#)
Subject: Fw: Updated Citi Recap - FCIC - responsive item 1
Date: 02/16/2010 07:34 AM
Attachments: [Citi_ComplianceRiskProfile_Sept06.doc](#)

----- Forwarded by Phyllis L Harwell/BOARD/FRS on 02/16/2010 07:34 AM -----

**Phyllis L
Harwell/BOARD/FRS**

02/20/2007 08:37 AM

To: Suzanne Killian/BOARD/FRS, Mayank M
Patel/BOARD/FRS, Christine Johnson/MPLS/FRS
cc
Subject: Updated Citi Recap

I have updated the attached Citi recap to include a glossary at the end and to address the point Suzanne made about the status of a few items in the document that referred to completion of a task in 2006. Those few items appear in the *Questions* section near the end of the document along with the update.



Citi_ComplianceRiskProfile_Sept06.doc

I have stored the updated version on the U: in the Citi folder.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DIVISION OF CONSUMER AND COMMUNITY AFFAIRS

Large Complex Banking Organizations/Large Financial Institutions

DATE: February 7, 2007
 TO: CitiGroup File
 FROM: Phyllis L. Harwell
 CC: Suzanne Killian
 Mayank Patel
 Christine Johnson
 SUBJECT: CitiGroup 2006/2007 Institutional Overview, Compliance Risk Assessment and Compliance Supervisory Plan Recap

The following information was taken from the 2006/2007 Citigroup Institutional Overview, Risk Assessment and Supervisory Plan documents written by the FRB NY.

I. Institutional Overview

RFI/C (D) Rating (12/31/05)	2-1-2/2(2) (FRBNY)
Central Point of Contact	Dianne Dobbeck
Citigroup Total Assets (12/31/05)	\$1,494 billion
Citibank, NA Total Assets (12/31/05)	\$ 706 billion (47% of Citigroup)
Citibank, NA CAMELS Rating (12/31/05)	1-2-2-2-1-2/2 (OCC)
Employees	300,000 (approximately 50% outside US)

Citigroup Inc. (Citigroup) is a diversified global financial holding company that provides a broad range of financial services delivered to over two hundred million customers in over one hundred countries. As of year-end 2005, Citigroup reported \$1.49 trillion in total assets and \$19.8 billion of net income from continuing operations (including discontinued operations, net income was \$24.5 billion). The firm employs about 300,000 individuals worldwide, roughly half of whom work outside the US. Corporate staff in New York maintains oversight of the entire institution, while day-to-day operations are managed through four business segments and six geographic regions. Independent compliance, risk management, and internal audit functions are in place.

Legal Entity Structure and Regulatory Oversight

Citigroup consists principally of four major legal entities: Citibank NA (CBNA), Citigroup Global Markets Holdings Inc. (CGMH), CitiFinancial Credit Company (CitiFinancial), and Grupo Financiero de Banamex SA de CV (Banamex) although the legal entity structure of Citigroup has a number of intermediate holding companies, bank entities, and subsidiaries.

CBNA

CBNA acts as the flagship bank for the firm conducting the firm's primary retail and wholesale banking activities, including retail branch banking, credit card activities, student loans, small and middle market commercial banking, wholesale corporate lending, and wealth management services. In addition, CBNA performs the majority of the Global Transaction Services (GTS) business, including cash management, trade services, custody and fund services, clearing services, and agency/trust services.

As part of the firm's international operations, CBNA maintains branches in almost 100 countries. These branches typically conduct wholesale banking services and to a lesser extent retail branch banking. In addition to the branches overseas, Citibank Overseas Investment Corporation (COIC) conducts all consumer lending (CitiFinancial/Associates operations) internationally as well as most retail branch banking. Local banking

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supervisory authorities act as the host country supervisor for CBNA branches and COIC subsidiaries with the OCC and the FRBNY as the home country supervisor, respectively.

CGMHI

CGMHI is the holding company for the firm's broker-dealer activities, and as such, is regulated by the Securities and Exchange Commission (SEC). CGMHI contains two significant subsidiaries in the United States, Citigroup Financial Products Inc (CFPI) and Citigroup Global Markets Inc (CGMI), which conduct a broad range of trading, advisory, and research, and investment banking activities. CFPI is a functionally non-supervised entity engaging primarily in swaps and certain OTC derivatives activities as well as wholesale lending. CGMI is a registered broker-dealer with the SEC, engaging in market-making, brokerage, and advisory services for government, corporate, financial institution, and retail clients. Its client-driven activities include fixed income and equity sales, corporate exchange trading, foreign exchange trading, emerging markets activities, fixed income research, and investment banking. CGMI and CFPI also take proprietary trading positions on behalf of Citigroup using debt, equity, and related derivatives instruments.

CitiFinancial

CitiFinancial is a non-bank subsidiary that conducts the firm's consumer finance business in the United States and Canada. CitiFinancial extends mortgages, auto loans, and personal loans to sub-prime/near-prime customers through its North America branch network. The Federal Reserve retains oversight responsibility for consumer compliance and safety and soundness of CitiFinancial through its umbrella supervisor role.

Banamex

A wholly-owned subsidiary of Citigroup Inc., Banamex operates as a foreign banking organization in Mexico through three principal legal vehicles that conduct commercial banking, broker-dealer trading, investment advising, and insurance services. Banamex holds approximately \$80 billion in total assets (or 5% of Citigroup total assets), making it the firm's largest country franchise in Latin America and second largest outside of the US. Banamex maintains investments in a variety of Mexican subsidiaries as well as a large credit exposure to the Government of Mexico. Banamex also operates a sizeable small- and medium-sized enterprise (SME) lending business. The Mexico National Banking Commission (CNBV) acts as the primary host country supervisor for Banamex with the FRBNY retaining oversight as the home country supervisor.

Bank Consolidation Project

Citigroup currently operates 12 bank entities supervised separately by the OCC, OTS, and FDIC. The firm is moving forward on a plan to consolidate the number of banks from 12 to 4 to achieve a number of objectives: easing restrictions on sharing customer information across legal entities; enhancing oversight of banking operations; maximizing capital deployment; and increasing regulatory investment and lending limits (e.g. related to Regulations K and W).

The consolidation will leave three major bank entities that will act as the principle retail/corporate bank, credit card bank, and Primerica mortgage bank, respectively. CBNA will remain the flagship bank comprising all of the retail banking assets (including auto and student loans and most mortgage assets) and continue its operations as the corporate bank. Citibank (South Dakota) NA will be spun out from CBNA and become a direct subsidiary of Citigroup, consolidating all credit card activities into one bank. Citicorp Trust Bank fsb will house the remaining mortgage assets originated by the Primerica sales agent business. The project will entail several conversions of OTS-supervised thrifts and mergers of existing banks into the three aforementioned banks over the course of 2006, expected to conclude in 4Q06.

Foreign Supervisors

The international exposure of Citigroup is dispersed widely around the world; however, the firm has significant concentrations of assets and/or operations in seven principal jurisdictions: the United Kingdom, South Korea, Mexico, Singapore, Hong Kong, Germany, and Japan. As such, local banking and financial services authorities maintain significant host country regulatory oversight responsibilities.

Principal Business Lines

Citigroup operations represent a wide array of financial services, including:

- Consumer services (retail banking, consumer finance, credit cards, and small-to-medium business lending);

- Corporate services (corporate lending, capital markets trading, cash management, trade finance, and custodial services);
- Wealth management services (personal banking, investment services, financial/investment advisory services, and independent investment research); and
- Alternative investment opportunities (private equity, real estate, hedge funds, structured products, and managed futures).

CONSUMER SERVICES

Global Consumer Group (GCG)

GCG delivers a wide array of banking, lending, insurance, and investment services through a network of local branches, offices, the Primerica Financial Services sales force, and electronic delivery systems, including ATMs, the Internet, and Automated Lending Machines (ALMs). Seven primary product lines – US Consumer Lending, US Retail Distribution, US Commercial Business, US and International Cards, International Consumer Finance and International Retail Banking – comprise the GCG. During a reorganization of GCG in 2005, Ajay Banga and Steven Freiberg became co-heads of this business sector, with Mr. Banga leading the international operations and Mr. Freiberg leading the North American business (US and Canada). The GCG consists of five primary functions: Customer Franchise Management, Global Product Platform, Operations and Technology, Group-wide Risk and Credit Policy, and Unified Operational Support Functions. Customer Franchise Management addresses customer needs and demand from a cross-product and geographic perspective, effectively becoming a GCG-wide strategy function. The Global Product Platform is organized both regionally and by product, working with Customer Franchise Management in distributing and marketing GCG products. The other functions provide in-business support. GCG employs almost two-thirds of all Citigroup employees (nearly 200,000 globally).

The Office of the Comptroller of the Currency (OCC) acts as the functional regulator for much of the GCG business, as the firm's retail banking and credit cards businesses are housed primarily in nationally-chartered banks (i.e. Citibank NA, Citibank (South Dakota) NA). The US consumer finance business is conducted out of the CitiFinancial Credit Company legal entity, which is a nonbank subsidiary of the firm. The Federal Reserve retains supervisory authority over CitiFinancial through its umbrella supervisor position.

GCG has established a business strategy wherein it would grow its consumer business and expand its global platform through a broad array of credit card, consumer finance, and retail product lines. GCG management continues to target organic growth across all geographic regions, with particular emphasis in India, Russia, Brazil, and Turkey. 2006 plans include 40 new retail branches in Russia, over 150 CitiFinancial branches in India, 50 retail bank and 70 CitiFinancial branches in Brazil, as well as 100 retail bank and 200 CitiFinancial branches in the US.

US Retail Distribution

The US Retail Distribution business is comprised of the domestic branches of Citibank and CitiFinancial as well as the agent-based business of Primerica Financial Services. Citibank provides personal and small business banking, lending, investment, and insurance services via its network of branches (906 as of IQ06) in the US and Puerto Rico as well as through Citibank Online. Within the US, Citigroup is focusing branch expansion efforts in markets where it has an existing presence in California, Texas, and Florida as well as in Boston and Philadelphia where it lacks an existing presence.

CitiFinancial provides community-based lending services through regional sales offices, branch networks, and cross-selling initiatives with other Citigroup businesses. As of the end of the first quarter 2006, CitiFinancial maintained 2,299 loan offices in the US, Canada, and Puerto Rico. In addition, through certain subsidiaries and third parties, CitiFinancial makes available various credit-related and other insurance products to its US customers. FRBNY exam work related to the Cease and Desist (C&D) Order imposed on CitiFinancial and its parent, Citigroup, on May 27, 2004, indicates a strengthened compliance risk management program as it relates to consumer protection.

Primerica Financial Services serves as a distribution hub of its affiliates, such as Smith Barney mutual funds and CitiFinancial mortgages, and is the largest financial services marketing organization in North America that builds its distribution from a volunteer sales force of more than 100,000 licensed independent contractors. Products and services offered through Primerica are designed to help people protect their income, reduce their debt and save for both short- and long-term expenses, such as college and retirement.

US Consumer Lending

US Consumer lending takes the form of real estate-secured loans, unsecured and partially secured student loans, and auto loans. Real estate lending provides mortgage and home equity lending. Loans are originated directly with consumers via the telephone, internet, Smith Barney, Citibank branches and Primerica agents, and indirectly through mortgage brokers, banks and mortgage companies. Educational loans to students are typically sourced through financial aid offices at educational institutions. In addition, government loan origination and servicing capabilities are offered to student loan providers, including academic and financial institutions. Automobile financing is provided through franchised and independent auto dealers, auto manufacturers, and the internet.

US Commercial Business

The US Commercial Business provides leasing, financing, banking, and real estate products and services to small and medium-sized enterprises across a broad range of industries.

US and International Cards

US and International Cards has three primary brands: Citi Cards (US and Canada), Mexico Cards (Banamex), and International Cards (Europe, Middle East, Africa (EMEA); Japan; Asia; and Latin America). In the US, the firm consistently ranks as the number one card issuer, as well as ranking first in Hungary, Pakistan, United Arab Emirates, Egypt, and Poland. The products offered comprise MasterCard, VISA, Diner's Club, and private label credit and charge cards. New accounts are primarily acquired through direct marketing efforts and the Internet as well as through portfolio acquisitions (e.g., recent acquisitions of the Sears, Home Depot, and Federated private labels as well as the KorAm portfolio).

International Consumer Finance

International consumer finance products, in order of volume, include personal loans, mortgages, sales finance, and auto loans. As of first quarter-end 2006, the international segment of CitiFinancial maintained 2,319 sales points outside of North America, including over 731 ALMs in Japan.

International Retail Banking

International Retail Banking spans over 50 countries world-wide, and is comprised of the international Citibank branches as well as small-and-middle market commercial banking. The diverse products and services of this group include deposits, investment services, asset management, retirement services, real estate lending, personal loans, and sales finance. As of the first quarter-end 2006, bank branches outside of North America totaled 2,647. For 2006, Citigroup has targeted India, Russia, Brazil, and Turkey as the primary markets for continued expansion.

CORPORATE SERVICES

Corporate and Investment Bank (CIB)

CIB provides corporations, governments, institutions and investors in approximately 100 countries with a broad range of financial products and services. This group is comprised of three major global business lines: Capital Markets, Banking and Transaction Services. In 2005 and continuing into 2006, CIB's core strategy is to improve its market share in emerging market products and other products where it is under penetrated (i.e. cash equities, interest rate derivatives and commodities); to target client segments with the strongest growth potential; and to focus business in regions with the most dynamic and attractive growth potential. CIB has had market share gains across several businesses and strong earnings results in its Merger & Acquisitions, Equity Underwriting, Equity and Fixed Income trading, and GTS. Citigroup has indicated it has intentions of expanding into other geographies through a strategy of organic growth and acquisitions, aimed primarily at emerging markets in Asia, Central Eastern Europe and Latin America.

FRBNY exam work related to Citigroup's progress toward fulfilling the conditions outlined in the Written Agreement concerning structured finance transactions, dated July 28, 2003, indicates that the firm is in substantial compliance with the provisions of the written agreement based on observations of enhanced transparency, accountability, and stronger in-business controls around such transactions.

The CIB is housed primarily in the firm's broker-dealer legal vehicles for its capital markets business and in Citibank NA for its corporate lending and GTS businesses. As such, the SEC and the OCC are the functional supervisors of the broker-dealer and bank-related businesses, respectively.

Global Capital Markets

Global Capital Markets provides global capabilities for corporate, institutional and retail investors through its equity and debt sales and trading platforms, research, institutional distribution capabilities, and access to the second-largest retail brokerage network in the US. Citigroup is considered a global leader in underwriting, structuring, and sales and trading across all asset classes, including equities, corporate bonds, government and agency bonds, asset-backed and mortgage-backed securities, syndicated loans, structured and futures products.

The group is comprised of three major businesses: Global Fixed Income (GFI), Global Equities, and Emerging Markets. The GFI desk trades governments (US, OECD and EM) and US agencies, municipals, global foreign exchange, US mortgages, interest rate derivatives such as swaps and options, credit products including credit derivatives, and high yield and distressed debt. In addition, GFI maintains accrual portfolios for treasury and management trading. The major businesses within the equity division are cash trading, equity derivatives and equity capital markets along with program and proprietary trading. Emerging Markets has trading in bonds and some interest rate swaps and maintains AFS accrual portfolios by country and region.

Global Banking

Global Banking provides solutions to US and multinational corporations, financial institutions and state, local, and national governments and government-sponsored authorities worldwide. The Global Banking group is organized into four principle segments: Investment Banking, Global Corporate Banking (GCB), Emerging Market Corporate Banking, and Public Sector. The Investment Banking Division (IBD) provides financial advisory and capital raising services to corporations, financial institutions and governments worldwide; including mergers, acquisitions, divestitures, financial restructurings, underwriting and distributing equity, debt, and derivative securities. IBD investment bankers are organized into industry, product and regional groups and work closely with the capital markets group, sales and trading, research and global relationship banking to offer customized financing strategies for clients.

GCB provides of financial services to top-tier multi-national clients. GCB relationship bankers partner with product specialists to provide an array of corporate banking solutions, such as cash management, foreign exchange, trade finance, custody, clearing and loans, to capital markets, derivatives, and structured products. They also partner with IBD investment bankers to deliver investment banking capabilities to relationship clients. The GCB is organized primarily along industry lines and serves clients in more than 100 countries.

The Emerging Markets Corporate Banking serves sovereign, corporate and institutional clients across Asia Pacific, Central and Eastern Europe, the Middle East, and Latin America. The group helps to capture cross-border activity, from financing and related structuring to mergers and acquisitions, with a focus on emerging markets clients buying into developed markets. Citigroup's Public Sector group provides advice and financial solutions globally to post offices, social security and pension funds, central banks, policy banks, finance ministries, privatization administrations and other ministries at the federal and local government levels. The group is organized regionally, with teams responsible for Asia, Central Eastern Europe, the Middle East and Africa (CEEMEA), North America, Japan, Latin America and Western Europe.

GTS

GTS is comprised of Cash Management, Trade Services, and Global Securities Services (GSS). Cash Management and Trade Services provide comprehensive cash management and trade finance for corporations and financial institutions worldwide. GSS provides custody and fund services to investors such as insurance companies and pension funds, clearing services to intermediaries such as broker/dealers, and depository and agency/trust services to multinational corporations and governments. GTS US distribution expansion plans include reaching new customers through correspondent banks via CitiDirect and WorldLink. Citigroup continues to be the world's largest global custodian with over \$4.5 trillion in cross border assets under custody (AUC), and also maintains significant domestic AUC, which combined total \$8.8 trillion (as of 1Q06), placing the firm behind only Bank of New York and State Street in total volume of AUC.

WEALTH MANAGEMENT SERVICES

Global Wealth Management (GWM)

Global Wealth Management was formed in late 2004, grouping together the Smith Barney Private Client Group, the

Citigroup Private Bank, and Citigroup Investment Research. The OCC acts as the primary supervisor for the Private Bank business, whereas the SEC maintains authority over GWM's Smith Barney and Citigroup Investment Research businesses.

Smith Barney – Global Private Client Group

Smith Barney Private Client Group provides investment advice, financial planning, and brokerage services to affluent individuals, small and mid-size companies, non-profits and large corporations through a network of more than 12,000 financial consultants in more than 500 offices, primarily in the US. In addition, Smith Barney provides independent client-focused research to individuals and institutions around the world. Smith Barney offers a variety of investment services, including asset allocation, private investment and lending services, hedge funds, cash and portfolio management, as well as retirement, education and estate planning. The group's strategy is to leverage off the distribution capabilities of the holding company to enhance client relationships.

Private Bank

This unit of Citigroup provides personalized wealth management services for high-net-worth clients in 33 countries and territories. The Private Bank offers investment management, investment finance, traditional banking, and cash management services. Investment management services include discretionary and non-discretionary investment accounts as well as trust and custody services. The investment finance business provides personalized lending for aircraft, artwork, commercial real estate, and residential real estate. In addition, the Private Bank offers traditional banking and cash management services specialized for its high-net-worth clients. In 2006, the Private Bank will move toward an 'on-shore' business model, wherein the business of Private Bank clients outside of the US will be conducted in-country instead of cross-borders. Regional hubs will be developed to help manage these accounts and provide greater consistency and oversight to the business conducted in-country.

Citigroup Investment Research

Citigroup Investment Research is a research unit that is comprised of more than 300 research analysts in over 20 locations around the world. It covers more than 2,600 companies, representing 90 percent of the market capitalization of the major global indices, and provides macro and quantitative analysis of global markets and sector trends. The core focus of the group is to help investing clients make informed decisions by providing them with independent analyses.

ALTERNATIVE INVESTMENT OPPORTUNITIES

Citigroup Alternative Investments (CAI)

CAI is the smallest of the four business segments in terms of earnings contribution. CAI constructs and manages a wide range of alternative investment products across five asset classes – private equity, hedge funds, real estate, structured products, and managed futures. The unit relies primarily on proprietary capital and, to a lesser extent, investments from third-party institutional and high-net-worth investors. CAI products are sold and distributed to private investors primarily through business units in GWM and CIB; however, CAI also maintains a small but growing sales unit targeting institutional and high-net-worth family clients. Into 2006, management considers third-party distributions for its products as an area for growth. In addition, CAI anticipates growth in its managed hedge fund product – Tribeca – by leveraging its proprietary commitments and results to attract client investments. Tribeca products have been sold via one-off direct client investments, and more recently, were launched to private banking customers through a monthly subscription process upon meeting certain suitability and other legal requirements. The CAI compliance function has grown concurrently with CAI business expansion and will continue to do so in 2006.

The nature of the CAI business involves the creation and maintenance of multiple legal vehicles to facilitate various legal structures (e.g. limited partnerships), which results in a variety of functional regulators of this business. The SEC acts as the primary regulator for the bulk of these vehicles with the Federal Reserve acting in its umbrella supervisor capacity to assess the risk-control infrastructure.

INTERNATIONAL OPERATIONS

Citigroup's international operations span over 100 countries and employ approximately 159,000 employees (over half of total Citigroup staff). The firm manages its international operations through the following country groupings, as noted below: Latin America; Mexico; Europe, Middle East, and Africa (EMEA); Asia-Pacific (excluding Japan); and Japan. Across the regions, the majority of revenue is generated from GCG operations, with the exception of

EMEA where CIB revenues dominate. Almost three-quarters of third-party assets (i.e. total assets excluding intercompany transactions) outside of the US reside in ten countries.

Regions

EMEA

Citigroup's activities in EMEA span the leading Western business centers to smaller countries in sub-Saharan Africa and the Middle East. With 49 countries in all, EMEA operates across multiple business lines, including CIB, GTS, consumer and private banking, credit cards, and personal finance. Its most complex operations exist in the United Kingdom, where Citibank International plc (CIB) resides. CIB is the holding company for many investments throughout Europe, with the exception of Germany where a large consumer presence exists. In addition to the UK and Germany, EMEA also maintains complex country operations in Poland and Russia (both with substantial consumer operations) as well as fourteen multi-business countries.

Asia Pacific

Citigroup is one of the leading financial services companies in the region, serving about 20 million customers in Asia with over 20,000 employees across 18 countries and territories. The Asia Pacific region is headquartered in Hong Kong, which houses the most complex legal vehicle structure in the region. In addition, Asia Pacific maintains complex country operations in Australia, China, India, Singapore, South Korea, and Taiwan and four multi-business countries. The firm's CIB, GCG, Private Bank, and brokerage businesses operate throughout the region providing a diverse array of services to consumers, small and medium enterprises, and institutional clientele. In 2005, Asia Pacific had net revenues of \$8.6 billion – representing 10% of Citigroup net revenue and the second highest revenues outside of North America.

Latin America & Mexico

The primary enterprise in Latin America is the firm's Mexican operations, Banamex. Acquired in 2001, Banamex is a fully integrated financial services company that provides banking, insurance, and investment products to its clients. In addition to Mexico, the firm maintains significant credit card, retail, and corporate businesses in Brazil. Throughout the rest of Latin America, Citigroup's presence is primarily through the CIB in 20 countries and four multi-business operations in Argentina, Chile, Colombia, and Venezuela. Areas for growth include consumer credit and loans, especially credit cards and mortgages. Geographically, the growth strategy focuses on Brazil, Chile, Colombia and Peru. The firm is more cautious in regards to growth in Argentina and Venezuela due to political issues. Senior management has emphasized the importance of strong controls, including tying audit and risk control self-assessment findings to compensation for business line managers.

Japan

With the largest foreign bank branch network in the country, Citigroup's Japan operations have nearly 7,600 employees nationwide conducting corporate, consumer, and investment banking activities, as well as cards, consumer finance, brokerage and asset management. The Private Bank and CitiTrust Japan closed in September 2005 and March 2006, respectively.

Edge Act Vehicles

COIC

COIC, an Edge Act corporation and a wholly-owned subsidiary of CBNA, had \$280 billion in total assets as of year-end 2005 (representing 40% and 19% of CBNA and Citigroup total assets, respectively). COIC is considered an investment Edge, meaning that its assets consist of investments in foreign subsidiaries, joint ventures, and other minority interests. Slightly over half of COIC assets are concentrated in the United Kingdom, South Korea, Singapore, and Germany with operations ranging from commercial banking to consumer finance to merchant banking. COIC was assigned a CAMEO rating of 1-2-2-1-2/2 as of December 31, 2005.

COIC subsidiaries principally conduct consumer operations that offer retail branch banking, consumer finance, and credit cards. With the acquisition of Associates in 2000, COIC became the holding company for all CitiFinancial and Associates operations outside of Canada and the United States (including Puerto Rico, which is managed separately by CitiFinancial North America). COIC subsidiaries also house sizeable credit card operations in Brazil, Canada, and Japan as well as several Diners Club subsidiaries through Europe and Asia. To a lesser extent, some COIC subsidiaries also have CIB, Citigroup Private Bank, or CAI businesses. Nonetheless, Citigroup Global

Markets (CGM) subsidiaries and CBNA branches typically conduct more of the firm's wholesale and private banking activities outside of the US.

Citibank International

Citibank International, based in Miami, Florida, held approximately \$1.1 billion in total assets as of year-end 2005. It provides private banking, fiduciary, and deposit services for non-resident alien Latin American high-net-worth individuals seeking US dollar accounts. As part of the firm's overall bank consolidation project, Citibank International is expected to transfer its deposits to Citibank NA and dissolve by the end of 3Q06.

II. Business Strategies

In 2004, CEO Chuck Prince shifted the firm's strategy from the prior "era of transformational mergers" to focus on "organic growth." The firm has sought to grow "organically" by targeting positive operating leverage, reinvesting in business segments with strong returns, and divesting underperforming segments. Citigroup's strategy includes growing its consumer business through branch expansion, targeting higher growth opportunities in selected countries outside the US (primarily in GCG-related activity), and becoming an industry leader within its CIB businesses.

As part of this overall strategy, in 2005 the firm divested two principal business lines, Travelers Life and Annuity (TL&A) and Citigroup Asset Management (CAM), with management electing to focus on investing in its businesses with higher return potential. In 2006, Citigroup is aiming to open over 1,000 new retail bank and consumer finance branches. US retail bank expansion will grow in existing markets as well as into the Boston and Philadelphia areas. The firm's international strategy aims to increase its branch presence in India, Russia, Brazil, and Turkey, among other countries.

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III. Structure of the Compliance Program

Board and Senior Management Oversight

The Board is actively engaged in legal and compliance risk management. Management and staff within the Global Compliance Department (GCD) are fully independent and report up to the Citigroup Senior Risk Officer. Risk management and control considerations are linked to Citigroup's risk appetite and compensation of senior managers is linked to compliance, Risk Control Self-Assessment (RCSA) and Audit and Risk Review (ARR) results. GCD structure and oversight is centralized with processes having been put into place to ensure compliance responsibilities are consistent across Citi's four business sectors. GCD management has issued clear guidance to the business sectors on the development of risk-based monitoring, testing and reporting (MTR) programs; developing, tracking and validating corrective action plans; and following escalation protocols. A formal compliance officer training program that includes 36 lessons covering a variety of topics has been rolled out, and franchise-wide training on compliance for the top 10% of senior managers has for the most part been completed by all active managers. New Product Approval (NPA) policy and processes at the corporate level and within business sectors globally are strong.

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Policies, Procedures & Limits

Recent directives and communications developed by Corporate Compliance have resulted in more transparent compliance processes and reporting of compliance issues throughout the firm. The directive on monitoring, testing, and reporting (MTR Directive) outlined broad, yet critical minimum standards of an effective MTR program where little if any standards existed previously. The re-issued firm-wide Compliance Policy reflects the independent compliance structure and supports implementation of the MTR Directive. Global Anti-Money Laundering policies are generally comprehensive. Newly issued corporate-level New Products and Services Policy and Standards is clear and comprehensive and policies designed to address franchise and reputational risk concerns have been enhanced and are supported through various in-business control processes. There is active involvement by business Legal counsel which helps to ensure governance practices are robust and conform to applicable laws and regulations.

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Risk Monitoring and MIS

The firm's compliance risk management program has received significant regulatory scrutiny over the past year. The program addresses major / high-risk issues and management continues to devote significant resources to ensure

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that compliance risk monitoring is more comprehensive (across sectors and geographies) and risk-based. Although some sectors are further ahead in implementing a compliance MTR framework that is consistent with new compliance directives, the firm's expectation is for full implementation by year-end 2006 (a key deliverable includes completed regulatory risk matrices mapped to RCSAs). The monthly compliance dashboard has been enhanced to include a discussion of MTR results. Much work has been done around the development of key risk indicators (KRIs) and the firm continues to explore how best GCD can utilize them to make meaningful judgments across the enterprise.

Internal Controls

Citigroup's system of internal controls adequately covers all major legal and compliance risks and business areas. ARR and Compliance are clearly independent from businesses and the control environment has been further strengthened through control units (such as IAU within GWM compliance and QA within business lines in general). The Regulatory & Compliance unit is a new group housed within ARR and works very closely with Compliance. The unit has added value to the organization through implementation of compliance related audit training programs as well as through development of a compliance Standard Audit Program work program. Management's reliance on RCSAs as an effective control tool is sound; nonetheless, an enhancement project is underway and designed to ensure greater consistency of RCSA processes and a technology solution that will improve data aggregation of RCSA results across the firm. Recent senior management changes within corporate-level oversight of AML issues should strengthen oversight of that area.

IV. Inherent and Residual Consumer and Compliance Risks

OVERVIEW OF INHERENT CONSUMER AND COMPLIANCE RISK

Citigroup is a market leader in many of its banking, fiduciary, and securities and insurance businesses globally. In areas where Citigroup is not the market leader, the firm is still recognized as an innovator of products and services given its talent depth and geographic breadth. The firm engages in a wide array of activities (products, markets, delivery systems) that continue to receive considerable legal and regulatory scrutiny in many different jurisdictions. Products and services run the gamut of complexity from traditional banking services to highly customized solutions that often involve complex product and/or legal vehicle structures. Citigroup frequently does business with high net-worth clientele where privacy and offshore considerations can lead to higher legal and reputational risk. The company's clientele also includes multinational corporations, financial institutions and governments that require customized products and solutions to meet strict client demands. Security breaches or lapses in safeguarding customer information can adversely impact scores of customers and lead to significant reputational risk. The firm's strategic focus is on organic growth in primarily existing, but emerging markets (i.e. China, India, and Russia).

Year	Overall Inherent Consumer Compliance Risk	Board & Senior Management Oversight	Policies Procedures & Limits	Risk Monitoring & MIS	Internal Controls & Audit
2006	Considerable	Satisfactory	Satisfactory	Satisfactory	Satisfactory
2005	Considerable	Fair	Satisfactory	Fair	Fair

The overall inherent risk rating in 2005 for banking and fiduciary businesses were rated "high". The revised rating for 2006 stemmed from the new guidance which indicates "high" inherent risk is characteristic of exposures that may cause significant impairment to the firm. The overall residual risk rating for Board and Senior Management Oversight strengthened in 2006 primarily due to a cultural change when CitiGroup's CEO issued a Five Point Plan for its employees to restore public trust following the issuance of the C&D. The Five Point Plan led to more robust compliance management and training. The overall residual risk rating for Risk Monitoring & MIS strengthened in 2006 primarily due to more robust monitoring, testing and reporting, as well as greater access and more frequent reporting to subcommittees of the Board and the full Board. The overall residual risk rating for Internal Controls & Audit strengthened primarily due to businesses being held accountable for assuring compliance and Compliance

becoming more independent, as well as the implementation of risk-based, independent compliance testing and standards which has been clearly communicated across the company.

OVERVIEW OF RISK MANAGEMENT AND CONTROLS

The Citigroup control infrastructure contains multiple layers, including oversight by independent risk management and compliance, Operations and Technology (O&T), ARR, and franchise governance review.

Risk Management

The Citigroup risk management framework includes recognized ownership of risks – credit, market, operational, and compliance – by the businesses, oversight by the independent risk management function at the corporate-level and within each of the business sectors, and independent review by ARR. At the corporate level, the Senior Risk Officer is responsible for establishing standards for the measurement and reporting of risk, managing and compensating the business-level senior independent risk managers, approving business-level risk management policies, and reviewing major risk exposures and concentrations across the organization. The independent risk managers at the business level are responsible for establishing and implementing risk management policies and practices within their business, for overseeing the risk in their business, and for responding to the needs and issues of their business. The following is a brief discussion of the Citigroup risk management practices for credit, market, operational and compliance risk.

Compliance & AML Risk

The Compliance Department is an independent, enterprise-wide function that is aligned to focus on Citigroup's relationship with its clients, as well as worldwide compliance with all relevant laws, regulations, and internal policies. The Compliance Department is charged with assuring that (a) compliance risks are adequately identified, assessed, controlled, monitored, tested and reported; (b) the Board and Senior Management are fully informed of significant compliance issues and plans for resolution; (c) compliance programs reflect changing business operating conditions and regulatory environments; and (d) regulatory expectations are met; as well as contributing to the compliance culture by educating and communicating compliance awareness throughout the organization.

The Compliance Department includes corporate oversight by Global Compliance (GC), headed by the Chief Compliance Officer, as well as independent compliance functions at the country, regional and business sector levels. All independent compliance personnel report up on a solid line basis to the Chief Compliance Officer, who reports directly to the Senior Risk Officer. GC is responsible for the development of the corporate compliance policy, directives, and guidelines to be incorporated into regional and business sector compliance programs. In addition, GC is charged with maintaining Citigroup's regulatory examination tracking system (X-TRAK), managing the Citigroup Ethics Office, providing guidance and support in the development of compliance plans (country, regional, and sector-level), offering group-wide ethics and compliance training, interacting on an ongoing basis with ARR, and providing infrastructure and technical support for the Compliance, AML and Legal departments.

In conjunction with independent compliance, some businesses and regions charge Business Unit Compliance Officers (BUCOs) with compliance responsibilities. BUCOs reside within a business or control function and do not report up through the independent compliance chain. With the exception of the GCG and the Private Bank, BUCOs are not prevalent in the other businesses.

As of mid-2004, the Global Anti-Money Laundering function (GAML) reports up through the independent GC chain and hence the Managing Director of GAML reports directly to the Chief Compliance Officer. Historically, the function was responsible for providing oversight on AML policies, which were developed and implemented by the businesses in various geographies. Following AML control breakdowns in Japan and less than satisfactory internal audit results, GAML's role and responsibilities have expanded to include increased monitoring and control oversight duties. GAML has a broad mandate, charged with providing guidance to business segments in designing and maintaining effective AML programs (including policies, monitoring technology, and training) to meet all applicable laws and regulations. In addition, GAML aims to work in partnership with government and inter-governmental bodies as well as with members of the financial services industry to prevent money laundering. The function has many enhancement initiatives underway to better standardize AML reporting and make better use of technology to monitor transactions and relationships.

V. Supervisory Plan			
Legal & Compliance Risks			
	Banking	Fiduciary	Securities/Other
Inherent Risk	Considerable	Considerable	Considerable
Control Rating	Satisfactory	Satisfactory	Satisfactory

Summary of Supervisory Work: 4Q06 to 2007

Risk	Continuous Monitoring	Examination
Legal & Compliance	<ul style="list-style-type: none"> • Anti-Money Laundering Efforts • AML Technology • Compliance Monitoring, Testing & Reporting • Analysis of HMDA Data 	<ul style="list-style-type: none"> • Compliance Monitoring, Testing & Reporting

Continuous Monitoring

Anti-Money Laundering (AML) Efforts (Quarterly): Global AML (reporting to Compliance) was initially created to develop a corporate-wide AML policy and to provide AML guidance and support to the businesses. Over time, responsibilities were expanded to include managing the Compliance Monitoring & Training (CMT) team, developing business rules for monitoring suspicious activity, and helping to direct business sector AML programs. This year, in response to findings from the regulatory agencies, ARR and CMT, Global AML sought to strengthen and improve its oversight processes through enhanced coordination, data collection and analysis, and risk assessments. Ongoing monitoring, with assistance from AML Compliance Risk staff, will focus on how the firm ensures that account monitoring efforts are adequate and that corporate and business AML policies are being implemented and followed. Moreover, while some improved oversight processes (e.g., governance, coordination, escalation) will be evaluated during the 3Q06 Global AML review, others (e.g., metrics, annual risk assessment scorecard) are still in development and will require post-exam follow-up.

AML Technology (Ongoing): In coordination with the OCC, examiners will continue to assess the AML technology currently in place and that which is planned for deployment. The objective is to focus on understanding and evaluating the approach and practicality of the firm's proposed AML solutions to address monitoring and reporting, and less on technology solutions to be employed. Among other items, we intend to evaluate the rationale underpinning the firm's automated tracking tool for conducting 314(a) and ad hoc searches to fulfill external requests or internal investigations, as well as analyze system outputs. To follow-up on the firm's effort to remediate KYC issues from the OCC-led Foreign International Supervisory Strategy

Compliance MTR (Ongoing): Management has indicated that the business sectors are on track with implementing the various elements of the Compliance MTR Directive by year-end 2006 with a large number of tasks slated for completion during the second half. CPC team members (through continuous monitoring) with participation from risk examiners will evaluate the comprehensiveness of the program with particular emphasis on the work being completed within CIB, as this is a large sector that needed to make a significant number of changes to comply with the MTR directives. Continuous monitoring will be accomplished through regularly scheduled monthly and quarterly compliance meetings; quarterly ARR Global Regulatory & Compliance group meetings; review of monthly dashboards; and one-off sector level compliance meetings. Compliance MIS also will be reviewed and follow-up meetings conducted, where necessary.

Analysis of HMDA Data (2H07): CPC team members (with the assistance of consumer compliance examiners) expect to assist in analysis of CitiFinancial's 2006 HMDA data, should it be selected by Board staff for further review. As noted in the FRBNY's second quarter 2006 exam, CitiFinancial North America and Citimortgage Inc. now have compliance oversight for the HMDA programs carried out in the Puerto Rico subsidiaries of COIC. Enhanced monitoring will be carried out to ensure that the problems identified with the operations of the Puerto Rico branches have been corrected, such that they now comply with CitiFinancial N.A. policies and procedures, and effective internal controls have been appropriately implemented.

Potential Follow-up on Fair Lending (TBD): Depending upon the outcome of the current fair lending review, there may be follow-up exam work conducted.

South Korea (4Q07): Follow-up interviews with a focus on corporate governance, AML practices, and technology implementation efforts as well as the firm's responsiveness to examination comments made by local bank supervisors.

Examinations

Compliance Monitoring, Testing & Reporting (3Q07): This exam will supplement continuous monitoring provide a venue for transaction testing as a follow-up to the FRBNY exam of late 2005. Emphasis will be placed on the business sectors' processes for (a) keeping regulatory risk matrices current; (b) the results of the gap analysis from the RRM to RCSA mapping to be performed year-end 2006 by each sector; (c) the efficacy of the MTR testing performed within each sector.

International Operations (2007): The CPC team's supervisory work related to Citigroup's overseas operations has a significant legal and compliance risk component, which includes AML. Proposed examinations (also to be coordinated with the OCC) will focus on validating the control infrastructure in two countries that Citigroup has targeted for significant growth. In Russia, the firm has more than tripled the number of bank branches in the country over 2006, and in India, the firm has rolled out over 150 CitiFinancial branches (due to local government restrictions on bank branch growth). Given the rapid growth countries and country-specific risk characteristics in both Russia and India, the CPC team proposes to validate the control and compliance infrastructure put in place to accommodate business expansion in these countries.

Russia (2Q07): Review of AML practices, given Russia's cash-intensive economy and local considerations that give rise to elevated AML risk; review of retail credit risk management practices, given the rapid expansion of credit card and retail bank businesses in Russia; high-level review of governance and compliance, given the difficulties in hiring, training, and retaining Citigroup Russia senior management as well as compliance professionals.

India (2Q07): Joint review with the OCC of retail credit risk management practices, given the rapid expansion of consumer finance business in India. FRBNY will also focus on high-level reviews of governance and compliance, given increasing regulatory scrutiny by the Reserve Bank of India, as well as to ensure certain compliance policies and procedures are in place.

Management Reports Review

Compliance & Control Dashboards: This detailed monthly report to senior compliance management summarizes the results of key regulatory and external examination issues, internal audits, compliance testing, AML activity, outstanding audit issues, significant business and regulatory changes, self assessments, and fraud losses. The report is separated into sub-categories by geography, region, sector, and, in certain cases, product, and allows senior compliance management to view risks that may cross sectors or geographies from one report.

Compliance Plans: The annual plans outline business and compliance initiatives, the internal and external legal and business environment, staffing and resource needs, and monitoring and testing programs. The purpose of the plans is to formally highlight key compliance program goals for the year to the businesses and Corporate Compliance. The plans are developed and produced at the country, regional and sector level.

Citigroup Compliance Testing Report: The purpose of this semiannual report, the first of which was produced recently for 1H2006, is to show the status of Independent Compliance testing and results across Citigroup. Other expected outcomes from the report include increasing consistency in the reporting of test results across sectors, highlighting and expanding joint reviews to raise efficiency and eliminate duplication, and identifying key trends across sectors.

ARR Compliance Workgroup: This quarterly report highlights legal, compliance, and fiduciary-related audits and lists ARR's legal and compliance hot topics for further discussion with senior management and control functions. Issue severity metrics presented are based on ARR's monitoring process (CAP tracking and business monitoring) and recently completed audit results. Also included in the report is a list of audit ratings, outstanding compliance issues and corrective action plans.

XTrak –Global Regulatory Exam Tracking Report: This quarterly report generated by the Global Compliance Department lists all regulatory and external audit examinations of Citigroup entities conducted worldwide. Report also lists the results of the examinations and current status.

Written Agreement Progress Reports: The written agreement requires the institution to provide the FRBNY with quarterly progress reports summarizing the institution's compliance with the requirements of the agreement.

Meetings with Citigroup Management

All quarterly meetings are inter-agency and include representatives from the OCC and the OTS. Ad hoc meetings are also held that cover a variety of topics from AML technology projects and demos to key risk indicators.

- . Weekly AML technology update conference call: (see description above)
- . Monthly meeting with senior management of Global Compliance Department
- . Quarterly Global Compliance meeting
- . Quarterly Global AML meeting
- . Quarterly meeting with ARR's Global Regulatory & Compliance Unit
- . Semiannual Litigation update meeting
- . Monthly meetings held with the OCC and OTS to update participants on exam status findings and follow-up, and to coordinate examination efforts as appropriate

Recent Supervisory Work: 2005 to 2006

2005

The following on-site examinations and other supervisory activities, categorized by topic, were conducted by staff of this Reserve Bank in 2005. The supervisory findings have been formally communicated to management in separate correspondence or discussions.

Compliance Risk Management

Horizontal: Compliance MTR. The purpose of this exam was to obtain a horizontal perspective of compliance monitoring and testing processes across large banking organizations. Another aim was to assess the appropriateness of the compliance program that was being implemented at the time of the review.

Global AML Function. In conjunction with the OCC, examiners assessed the corporate oversight provided by Global AML. This effort included a review of the overall mission and objectives of the function, as well as the adequacy and expertise of staff. Focus was placed on the then newly established CMT function, the Suspicious Activity Report (SAR) database, as well as monitoring business rule standards and processes.

Horizontal: Correspondent Banking. Examiners of this Reserve Bank participated in a review conducted by the OCC of the firm's correspondent banking activities. Among other objectives, examiners sought to further their understanding of how customer information is collected and analyzed; processes relied upon for identifying suspicious or unusual patterns of activity; and the method by which investigations are conducted to determine reportable incidents.

CitiFinancial Consumer Compliance. During 2005, examiners completed a four-phased exam and follow-up review of the actions management had taken to comply with the Federal Reserve Board's C&D Order imposed on CitiFinancial and its parent, Citigroup, on May 27, 2004.

2006

Horizontal: Privacy / GLBA 501(b) IS Standards. Examiners will evaluate Citigroup's compliance with and management of risks associated with the safeguarding of customer information, as required by Section 501(b) of the Gramm-Leach-Bliley Act, and the recently adopted interagency guidance on response programs for unauthorized access to customer information and customer notice. Particular emphasis will be placed on how banking organizations manage vendor relationships and control the associated risks. On-site: June 2006.

RCSA Process. The primary goals of this review are to evaluate the way in which businesses rely on the RCSA process as a control tool and ascertain the progress made toward enhancing the RCSA framework across the firm. Target letter issued July 2006.

Home Mortgage Disclosure Act (HMDA). Examiners conducted a limited review of CitiFinancial, Inc., Associates International Holding Corporation of Puerto Rico (AIHC), CitiFinancial Services of Puerto Rico, and CMFC to assess the effectiveness of controls related to and supervision of Home Mortgage Disclosure Act and Regulation C (12 CFR 203) data reporting within those entities. The examination findings were used to assist the Office of the Comptroller of the Currency as the lending activity of the aforementioned institutions will be considered when evaluating Citibank NA's performance under the Community Reinvestment Act. Target letter issued July 2006.

Fair Lending. The examination of fair lending controls at CitiFinancial, AIHC, CitiFinancial Services of Puerto Rico, and Citicorp Mortgage Financial Corporation (CMFC) has several objectives. They include determining: (1) the extent to which compliance risk management controls have been implemented to ensure compliance with consumer and fair lending laws and regulations; (2) the reliance that can be placed on internal controls, policies and procedures, and compliance monitoring and audit functions for consumer and fair lending compliance; and (3) the adequacy and timeliness of corrective actions when policies or internal controls are deficient, or when violations of law or regulation are identified. On-site: September 2006.

Global AML Function. Examiners will conduct a follow-up exam regarding the corporate oversight provided by Global AML. The corporate level function has been restructured since the last review. Emphasis will be placed on the due diligence process, on-going AML monitoring and efforts for automating the AML search capabilities. On-site: September 2006.

Questions

- 1) What, if any, follow-up work will be completed on AIHC's lending operations due to the spousal signature issue noted? *[Per Will Hilton - Regarding the spousal signature issues, we are currently awaiting the results of Citi's further investigation into the matter and its remediation plan, which are due to us by March 1, 2007. We noted a placeholder in our Sup Plan for potentially conducting additional follow-up fair lending work at the PR subs in 2007, but would like to get a better sense of the firm's proposed remediation before we proceed fleshing out what that work would encompass.]*
- 2) Was the bank consolidation project completed in 4Q06? *[Per Will Hilton - yes, the bank consolidation project was completed; the number of banks went from 12 to 4 with 3 of the 4 being major bank entities]*
- 3) Has the firm fully implemented the Compliance MTR framework consistent with new compliance directives (including the key deliverable, completed regulatory risk matrices mapped to RCSAs)? *[Per Will Hilton - the Compliance MTR framework is fully implemented. The regulatory mapping was completed by year-end 2006 and is currently under review to ensure there are no gaps.]*

Gaps

None noted.

Remediation Plan

Not applicable.

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ACRONYM GLOSSARY

A	
AIHC	Associates International Holding Corporation of Puerto Rico
ALM	Automated Lending Machines
AML	Anti-Money Laundering
ARR	Audit and Risk Review
AUC	Assets under custody
B	
BUCO	Business Unit Compliance Officers
C	
C&D	Cease and Desist Order
CAI	Citigroup Alternative Investments
CAM	Citigroup Asset Management
CBNA	Citibank NA
CEEMEA	Central Eastern Europe, the Middle East and Africa
CFPI	Citigroup Financial Products Inc.
CGM	Citigroup Global Markets
CGMHI	Citigroup Global Markets Holdings Inc.
CGMI	Citigroup Global Markets Inc.
CIB	Corporate and Investment Bank
CIP	Citibank International plc
CMFC	Citicorp Mortgage Financial Corporation
CMT	Compliance Monitoring and Testing
CNBV	Mexico National Banking Commission
COIC	Citibank Overseas Investment Corporation
E	
EMEA	Europe, Middle East, Africa
G	
GAML	Global Anti-Money Laundering
GC	Global Compliance
GCB	Global Corporate Banking
GCD	Global Compliance Department
GCG	Global Consumer Group
GFI	Global Fixed Income
GSS	Global Securities Services
GTS	Global Transaction Services
GWM	Global Wealth Management
I	
IBD	Investment Banking Division
K	
KRI	Key Risk Indicators
M	
MTR	Monitoring, Testing and Reporting
N	
NPA	New Product Approval

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O O&T	Operations and Technology
R RCSA	Risk Control Self-Assessment
S SEC SME	Securities and Exchange Commission Small- and medium-sized enterprises
T TL&A	Travelers Life and Annuity
X X-TRAK	Regulatory Examination Tracking System