

**Development of Internet Gambling Regulations  
Conference call with Citibank**

**Call Date:** April 3, 2008, 11:00 a.m. EST

**Citibank:** Christine Durmer, Senior Compliance Officer, Retail Bank; Joyce Elkhateeb, Senior Attorney, Bank Regulatory Unit; Jeff Gednalske, Senior Attorney, U.S. Bankcards; Julie Hanson, Senior Compliance Officer, U.S. Bankcards; Bill Klimashousky, Senior Attorney, Global Transaction Services; Kathryn Reimann, Head of Consumer Business Compliance; Jim Rouen, AML Compliance Officer; Mike Schiffres, Senior Attorney, U.S. Bankcards; Wendy Takahisa, Chief Administrative Officer, Consumer Business Compliance.

**FRB:** Joseph Baressi, Financial Services Project Leader, and Joshua Hart, Financial Services Analyst, Division of Reserve Bank Operations and Payment Systems.

**Treasury:** Charles Klingman, Director, Office of Critical Infrastructure Protection and Compliance Policy.

On April 3, 2008, at 11:00 a.m. EST, staff of the Federal Reserve Board and the Department of the Treasury (the Agencies) participated in a conference call with staff of Citibank to obtain clarifying information from Citibank regarding the comment letter it submitted in response to the Agencies' proposed rule.<sup>1</sup> Specifically, the purpose of the call was for the Agencies to obtain clarifying information regarding the resources associated with a large bank, such as Citibank, conducting risk-based due diligence inquiries into the business lines of its existing commercial customer base in the U.S. with product relationships that would be subject to a rule implementing UIGEA. As used herein, those product relationships shall be called "Commercial Accounts" and the respective customers shall be called "Commercial Customers."

Citibank stated that it conducts due diligence at the time a Commercial Account relationship is established, before the Commercial Customer can access any payment service. Additionally, Citibank has a program of back-end monitoring to assess whether transactions conducted by Commercial Customers fit within internal guidelines for the nature of the account as described at the time of account opening. The bank's policy is to decline to establish Commercial Accounts for potential customers engaged in the business of unlawful Internet gambling. Citibank noted that card-based relationships for which it is the merchant acquiring bank constitute only a small portion of its entire commercial customer base.

Citibank stated that it has millions of accounts, including in excess of a million Commercial Accounts, and, over time, the bank has participated in a substantial number of bank-and account-acquisition transactions. The customer records associated with the bank's accounts may be kept in paper or electronic form, and in a diverse set of locations and systems, depending upon when and where the relationship was established. Citibank stated that, based on its

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<sup>1</sup> The Agencies published a proposed rule to implement UIGEA on October 4, 2007. See 72 FR 56680. In response to the proposed rule, Citibank submitted a comment letter dated December 12, 2007, which is also part of the public record in this matter.

experience in conducting targeted reviews of certain segments of its overall account population, substantial resources would be required to review the records associated with these Commercial Accounts. Citibank noted that its due diligence program in its current form and its customer identification program (CIP) were generally implemented prospectively pursuant to section 326 of the USA PATRIOT Act.<sup>2</sup>

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<sup>2</sup> Citibank's CIP applies to all persons that open new accounts or relationships on or after October 2, 2003. Per the requirements of the USA PATRIOT ACT, it does not apply to existing customers unless there is a reason to believe that the true identity of the customer is not known, or where an existing customer becomes the subject of a review as a result of potentially suspicious activity.