



November 22, 2022

Mr. John Dugan  
Chair of the Board  
Ms. Jane Fraser  
Chief Executive Officer  
Citigroup Inc.  
388 Greenwich Street  
New York, New York 10013

Dear Mr. Dugan and Ms. Fraser:

On or before July 1, 2021, the Board of Governors of the Federal Reserve System (Board) and the Federal Deposit Insurance Corporation (FDIC) (together, the Agencies) received the targeted resolution plan submission (2021 Targeted Plan) of Citigroup Inc. (the Covered Company), as required by section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as amended (Dodd-Frank Act), 12 U.S.C. § 5365(d), and the jointly issued implementing regulation, 12 CFR Part 243 and 12 CFR Part 381, as amended (Resolution Plan Rule).

The Agencies have reviewed the 2021 Targeted Plan, taking into consideration section 165(d) of the Dodd-Frank Act; the Resolution Plan Rule; the feedback letter that the Agencies provided to the Covered Company on December 16, 2019 (2019 Letter), regarding the Covered Company's 2019 resolution plan submission (2019 Plan); the joint "*Guidance for § 165(d) Resolution Plan Submissions by Domestic Covered Companies Applicable to the Eight Largest,*

*Complex U.S. Banking Organizations*”;<sup>1</sup> the Covered Company’s submission provided by April 2020, regarding ongoing resolution enhancement projects; the targeted information request letter that the Agencies provided to the Covered Company on June 29, 2020 (Targeted Information Request Letter), regarding the required content of the 2021 Targeted Plan; and certain other information available to the Agencies, including the Consent Order discussed in section III.<sup>2</sup>

In reviewing the 2021 Targeted Plan, the Agencies concluded that the 2021 Targeted Plan satisfactorily addressed the shortcomings the Agencies identified in the 2019 Plan. However, as discussed below, serious weaknesses in the firm’s data management practices need to be addressed.

Per the Resolution Plan Rule, the Covered Company is required to submit a full resolution plan on or before July 1, 2023 (2023 Full Plan). As discussed below, the Agencies expect their review of the 2023 Full Plan to include expanded validation and testing of the firm’s resolution capabilities. The Agencies also expect to engage with the Covered Company prior to submission of the 2023 Full Plan to prepare for the review, including through planning for capabilities assessments and testing.

## **I. Background**

Section 165(d) of the Dodd-Frank Act requires that each bank holding company with \$250 billion or more in total consolidated assets, certain bank holding companies with total consolidated assets of between \$100 billion and \$250 billion, and each designated nonbank financial company report to the Agencies the plan of such company for its rapid and orderly

---

<sup>1</sup> 84 Fed. Reg. 1438, 1449 (Feb. 4, 2019).

<sup>2</sup> In addition, the staffs of the Agencies engaged with the Covered Company during the development of the 2021 Targeted Plan and during the Agencies’ review of the 2021 Targeted Plan to seek clarification, pose questions regarding the Covered Company’s submissions, and discuss progress regarding items mentioned in the 2019 Letter.

resolution in the event of material financial distress or failure.<sup>3</sup> A firm, such as the Covered Company, that is a biennial filer under the Resolution Plan Rule is required to file a resolution plan every two years, alternating between full and targeted resolution plans.<sup>4</sup>

Pursuant to the Resolution Plan Rule, the 2021 Targeted Plan was required to include the core elements;<sup>5</sup> the Covered Company's response to the targeted information request (as set forth in the Targeted Information Request Letter); a description of each material change experienced by the Covered Company since its previously submitted resolution plan (or affirmation that no such material change has occurred) and the changes the Covered Company has made to its resolution plan in response; a description of changes to the Covered Company's previously submitted resolution plan resulting from changes in law or regulation, or from guidance or feedback from the Agencies;<sup>6</sup> and a public section.<sup>7</sup>

Under section 165(d) of the Dodd-Frank Act, the Agencies may jointly determine, based on their review, that a firm's resolution plan is "not credible or would not facilitate an orderly resolution of the company under Title 11" of the United States Code (U.S. Bankruptcy Code).<sup>8</sup> An orderly resolution for a firm such as the Covered Company means the reorganization or liquidation of the firm under the U.S. Bankruptcy Code that can be accomplished within a

---

<sup>3</sup> In addition, section 401(f) of the Economic Growth, Regulatory Relief, and Consumer Protection Act provides that any bank holding company, regardless of asset size, that is identified as a global systemically important bank holding company under 12 CFR § 217.402 shall be considered a bank holding company with \$250 billion or more in total consolidated assets with respect to the application of standards or requirements under section 165 of the Dodd-Frank Act. 12 U.S.C. § 5365 note.

<sup>4</sup> 12 CFR §§ 243.4(a), 381.4(a).

<sup>5</sup> "Core elements" means the information required to be included in a full resolution plan pursuant to section \_\_.5(c); (d)(1)(i), (iii), and (iv); (e)(1)(ii), (2), (3), and (5); (f)(1)(v); and (g) of the Resolution Plan Rule, regarding capital, liquidity, and the Covered Company's plan for executing any recapitalization contemplated in its resolution plan, including updated quantitative financial information and analyses important to the execution of the Covered Company's resolution strategy. 12 CFR §§ 243.2, 381.2; *see also* Resolution Plans Required, 84 Fed. Reg. 59194, 59208 at n.35 (Nov. 1, 2019).

<sup>6</sup> 12 CFR §§ 243.6(b), 381.6(b).

<sup>7</sup> 12 CFR §§ 243.11(c), 381.11(c).

<sup>8</sup> 12 U.S.C. § 5365(d)(4).

reasonable period of time and in a manner that substantially mitigates the risk that the failure of a covered company would have serious adverse effects on financial stability in the United States.<sup>9</sup> Under the Resolution Plan Rule, the Agencies can jointly identify shortcomings or deficiencies in a covered company's resolution plan.<sup>10</sup> The Resolution Plan Rule also provides processes by which shortcomings or deficiencies jointly identified by the Agencies in a resolution plan may be remedied.

## **II. Results of Agencies' Review of 2021 Targeted Plan**

The 2021 Targeted Plan discussed actions taken by the Covered Company to improve its resolvability, as discussed below.<sup>11</sup>

### Efforts to address shortcoming in 2019 Letter

The Covered Company has adequately addressed the governance mechanisms shortcoming identified in the 2019 Letter. To reach this determination, the Agencies reviewed the information provided in the Covered Company's 2021 Targeted Plan, as well as reports prepared by the Covered Company's internal audit for confirmation of the information provided in the 2021 Targeted Plan.

According to the 2021 Targeted Plan, the Covered Company redesigned and further automated its internal data infrastructure, which now has the ability to produce resolution metrics for its operating material entities reporting on a timely basis with straight-through processing of metrics to decision makers.

---

<sup>9</sup> 12 CFR §§ 243.2, 381.2.

<sup>10</sup> 12 CFR §§ 243.8(b), (e) and 381.8(b), (e).

<sup>11</sup> The Agencies also note that, as required by the Resolution Plan Rule, the Covered Company included in its 2021 Targeted Plan information about material changes. 12 CFR §§ 243.6(b)(3), 381.6(b)(3). The Covered Company also included in its 2021 Targeted Plan information responding to the Targeted Information Request Letter regarding the Covered Company's actions in response to events surrounding the coronavirus-related stress in 2020. The Covered Company reported that the events surrounding the coronavirus prompted it to make certain adjustments to its resolution-related capabilities.

The Agencies note that the specific shortcoming and remediation outlined in the 2019 Letter are one aspect in which the Covered Company's balancing of timeliness and accuracy may affect significantly the Covered Company's resolvability and implementation of its resolution plan. As many capabilities discussed in the 2021 Targeted Plan have not been tested or validated by the Agencies, the Agencies expect to expand capabilities testing as part of their review of the 2023 Full Plan, which may include additional testing relating to the balance of timeliness and accuracy in taking action under the Covered Company's secured support agreement.

Shortcoming regarding data integrity and data management issues

The Agencies have identified weaknesses in the Covered Company's processes and practices for producing certain data that could materially impact the firm's resolution capabilities sufficient to constitute a shortcoming in the Covered Company's 2021 Targeted Plan. Specifically, the Agencies have concluded that certain of the data integrity and data quality management issues in business-as-usual (BAU) conditions previously identified by the Board in the October 7, 2020, Cease and Desist Order Issued Upon Consent Pursuant to the Federal Deposit Insurance Act, as amended (Consent Order),<sup>12</sup> raise questions about the Covered Company's ability to produce accurate financial information during stress conditions and with respect to the firm's resolution plan that could undermine the feasibility of the Covered Company's 2021 Targeted Plan.

For instance, issues regarding the Covered Company's data governance program could adversely affect the firm's ability to produce timely and accurate data and, in particular, could degrade the timeliness and accuracy of key metrics that are integral to execution of the firm's

---

<sup>12</sup> See Cease and Desist Order between Bd. of Governors of the Fed. Reserve Sys. and Citigroup Inc. (Oct. 7, 2020), <https://www.federalreserve.gov/newsevents/pressreleases/files/enf20201007a1.pdf>.

resolution strategy. The Covered Company also acknowledged in its 2021 Targeted Plan that the firm's resolution capabilities may be affected by the problems identified in the Consent Order.<sup>13</sup> Accordingly, the Agencies jointly determined that weaknesses in the firm's data integrity and data quality management constitute a shortcoming with respect to the 2021 Targeted Plan.

The Consent Order requires the Covered Company to address the identified data-related weaknesses, including by developing a Gap Analysis Remediation Plan (GARP) detailing the actions it plans to take to comply with the Consent Order and planned completion dates. Given that the Consent Order relates to BAU conditions, the Agencies recognize that not all of the data issues identified in the Consent Order are likely to adversely impact the Covered Company's resolvability. For those data issues that impact key Title I metrics – including those that affect the Covered Company's ability to recognize the occurrence and severity of financial distress, facilitate provision of support to material legal entities in accordance with the firm's secured support agreement, and enable the firm to evaluate and initiate bankruptcy proceedings in a timely fashion – it is critical that the Covered Company remediate issues in the data source systems and applications that provide input for those metrics.

Therefore, to address the shortcoming, the Covered Company must, on or before January 31, 2023, submit to the Agencies (1) a mapping document that identifies the actions in the GARP that are expected to improve the firm's ability to accurately produce key data in a timely manner that would be relied upon to execute its resolution plan (Resolvability Data Mapping), (2) a detailed description of how each of the actions identified in the Resolvability Data Mapping will improve the firm's ability to accurately produce data in a timely manner

---

<sup>13</sup> The 2021 Targeted Plan also claimed that certain financial resource buffers and assumptions the Covered Company views as conservative about resolution-related capital and liquidity are sufficient to mitigate any effect of the data integrity and quality issues on the firm's resolution capabilities.

integral to execution of the firm's resolution strategy and which of these actions (either individually or in combination with other actions) the Covered Company anticipates will result in the greatest material improvement to the firm's resolution capabilities and that accordingly are a priority for the firm, and (3) a detailed description of how the Covered Company will demonstrate, to itself and the Agencies, that the improvements to its data governance program will result in more accurate and timely data integral to execution of the firm's resolution strategy (2 and 3 together, the Remediation Actions and Evaluations Descriptions).

The shortcoming will remain outstanding until the Covered Company addresses the remedial actions in the Resolvability Data Mapping. The Board will review the GARP pursuant to its normal supervisory process, and if the Board determines that the GARP is materially incomplete or insufficient, or is dependent on unreasonable timelines, the Agencies will jointly determine that the data issues giving rise to this shortcoming constitute a deficiency. In addition, the Agencies will review the Resolvability Data Mapping, Remediation Actions and Evaluations Descriptions, and other related materials, and if the Agencies jointly determine that either the Resolvability Data Mapping or Remediation Actions and Evaluations Descriptions are materially incomplete, are not reasonably likely to remediate the identified data-related weaknesses that are related to resolution, or are dependent on unrealistic or unreasonable timelines, the Agencies will jointly determine that the data issues giving rise to this shortcoming constitute a deficiency.

The Agencies will also assess the Covered Company's progress in addressing the items discussed in the Resolvability Data Mapping. If the Agencies jointly determine that the Covered Company has failed to complete the priority actions identified in the Resolvability Data Mapping or to demonstrate that the improvements to its data governance program have resulted in more accurate and timely data integral to execution of the firm's resolution by the planned completion

dates specified in the GARP, the Agencies will jointly determine that the data issues giving rise to this shortcoming constitute a deficiency. In addition, such monitoring will inform the degree to which the Agencies focus on data quality management issues during their review of the Covered Company's 2023 Full Plan and subsequent submissions.

Ongoing efforts regarding governance mechanisms, liquidity, and capital capabilities

The Covered Company continued to work on its governance mechanisms capabilities by simulating and testing the operationalization of its secured support agreement with key decisionmakers and by incorporating lessons learned from testing, simulations, and tabletop exercises. The Covered Company centralized its recovery and resolution planning functions within the BAU activities of its treasury department and also increased material entities' input into assumptions and scenarios. The Covered Company increased the frequency of key reporting in BAU and developed template reporting packages. In addition, the Covered Company made changes to match secured support agreement and management information systems terminology and taxonomy.

The Covered Company also continued working on its capabilities to calibrate and alter assumptions in its resolution liquidity execution need (RLEN) methodologies: The Covered Company has continued to integrate RLEN production with other BAU liquidity risk management processes; made investments intended to improve data sourcing and aggregation processes used to estimate RLEN; and developed its governance and controls around RLEN adjustments and conducted exercises to test its RLEN capabilities.

The Covered Company also continued working on its forecasting capabilities and production of its resolution capital execution need (RCEN), with reduced manual intervention, more frequent reporting of BAU capital metrics, and shorter required production time. The

Covered Company developed the capability to produce daily material-entity-level financial statements, and enhanced its capital pre-positioning framework with the objective of balancing certainty and flexibility. The Covered Company also made adjustments intended to improve its governance processes, including changes to playbooks, escalation, and reporting.

### **III. Future Resolvability Improvements**

While the Covered Company has made progress in improving its resolution capabilities, the Agencies expect that the Covered Company will continue to develop its resolution readiness, including by completing pending projects identified in the 2021 Targeted Plan. In reviewing the 2021 Targeted Plan, the Agencies identified aspects relating to governance mechanisms, liquidity, and capital where they expect ongoing improvements by the firm, as discussed below. While the Covered Company continues addressing the data concerns underlying the Consent Order, it should also continue improving the processes that would use those data to execute its resolution plan.

Specifically, the Agencies expect that the Covered Company will continue its efforts to improve governance mechanisms processes that support resolvability and resolution, including the operationalization of its secured support agreement. The Agencies also expect the Covered Company to continue to perform capabilities testing through simulations and tabletop exercises to assess, in varied resolution scenarios, core resolution capabilities that support decision-making by material entities' boards of directors and senior management.

Further, the Agencies expect that the Covered Company will continue to improve its liquidity resolution capabilities to reflect further actual stress conditions. The Agencies also expect that the firm will continue to test its RLEN capabilities, including testing related to the governance of RLEN assumption changes.

Additionally, the Agencies expect the Covered Company to continue to improve its capital resolution capabilities, including a methodology for periodically estimating the amount of capital that may be needed to support each material entity after the bankruptcy filing.

#### **IV. Resolution Capabilities Testing and Next Plan Review**

Among other things, testing of resolution capabilities by the Covered Company and by the Agencies can help inform the firm and its management, as well as the Agencies, about strengths and weaknesses in the Covered Company's resolution preparedness. Further, assessing the Covered Company's ability to execute its plan is the next logical step as the firm's resolution planning efforts have matured. To that end, the Agencies conducted capabilities testing as part of reviewing the Covered Company's 2019 Plan and the 2021 Targeted Plan. These testing efforts revealed meaningful information about the Covered Company's capabilities and areas on which it should focus its efforts. Accordingly, the Agencies anticipate conducting additional capabilities testing and validation work as they continue assessing the Covered Company's resolvability. Among other things, the Agencies are considering conducting focused evaluations during the review of the Covered Company's 2023 Full Plan of (i) whether the firm's reliability of data, data accuracy, and BAU data capabilities are adequate to support its resolutions strategies and plans and (ii) the firm's policies and expected practices for moving liquidity at various points along the stress continuum. The Agencies expect to engage with the Covered Company and other firms during the period preceding submission of the 2023 Full Plan.

#### **V. Conclusion**

The resolvability of firms will change as markets and firms' activities, risk profiles, and structures change. In addition to the ongoing resolvability work noted in sections II and III above, the Agencies expect the Covered Company to continue to address the resolution

consequences of these changes and its day-to-day management decisions to fulfill its obligation to enable the rapid and orderly resolution of the Covered Company in bankruptcy.

If you have any questions about the information communicated in this letter, please contact the Agencies.

Sincerely,

*(Signed)*

---

Ann E. Misback  
Secretary of the Board  
Board of Governors of the Federal Reserve System

Sincerely,

*(Signed)*

---

Debra A. Decker  
Executive Secretary  
Federal Deposit Insurance Corporation