

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

In the Matter of

CITIGROUP INC.  
New York, New York

Docket No. 13-004-B-HC

**CONSENT ORDER**

WHEREAS, Citigroup Inc., New York, New York (“Citigroup”), a registered bank holding company, owns and controls Citibank, N.A., Sioux Falls, South Dakota (“Citibank”); Banamex USA, Century City, California; an Edge Act corporation organized under section 25A of the Federal Reserve Act (12 U.S.C. § 611 et seq.); and multiple other nonbank subsidiaries;

WHEREAS, Citigroup is a large, complex organization that has a number of separate business lines and legal entities that must comply with a wide range of applicable rules and standards;

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal banking agency supervisor of Citigroup and the Edge Act corporation;

WHEREAS, Citigroup has adopted a firmwide compliance risk management program designed to identify and manage compliance risks across the consolidated organization related to compliance with all applicable laws, rules, and regulations;

WHEREAS, Citigroup's firmwide compliance risk management program includes an anti-money laundering ("AML") program designed to identify and manage compliance risks, related to the Bank Secrecy Act (the "BSA") (31 U.S.C. § 5311 et seq.); the rules and regulations issued thereunder by the U.S. Department of Treasury (31 C.F.R. Chapter X); and the AML regulations issued by the appropriate federal supervisors for Citigroup, each of its subsidiary banks, the Edge Act corporation, and other subsidiaries of Citigroup (collectively, the "BSA/AML Requirements");

WHEREAS, various indirect nonbank and Edge Act corporation subsidiaries of Citigroup provide services to Citibank and Banamex USA (collectively, the "Banks") regarding compliance with BSA/AML Requirements, including, but not limited to, monitoring transactions for suspicious activities;

WHEREAS, Citibank has consented to the issuance of a Consent Order by the Office of the Comptroller of the Currency (the "OCC") designed to remedy deficiencies in Citibank's BSA/AML compliance program;

WHEREAS, Banamex USA has consented to the issuance of a Consent Order by the Federal Deposit Insurance Corporation (the "FDIC") and the California Department of Financial Institutions designed to remedy deficiencies in Banamex USA's BSA/AML compliance program;

WHEREAS, as evidenced by the deficiencies in the Banks' BSA/AML compliance programs identified by their respective banking agency supervisors that led to the issuance of the OCC and FDIC Consent Orders (collectively, the "Consent Orders"), Citigroup lacked effective systems of governance and internal controls to adequately oversee the activities of the Banks

with respect to legal, compliance, and reputational risk related to the Banks' respective BSA/AML compliance programs;

WHEREAS, Citigroup, the Board of Governors, and the Federal Reserve Bank of New York (the "Reserve Bank") have the common goals that Citigroup, on a firmwide basis, operates in compliance with all applicable federal and state laws, rules, and regulations regarding the BSA Requirements, and that Citigroup continues to implement an effective firmwide compliance risk management program that is commensurate with Citigroup's compliance risk profile; and

WHEREAS, on March 19, 2013, the board of directors of Citigroup, at a duly constituted meeting, adopted a resolution authorizing Kevin L. Thurm, Chief Compliance Officer, to enter into this Consent Order to Cease and Desist (the "Order") on behalf of Citigroup and consenting to compliance with each and every applicable provision of this Order by Citigroup and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. §§ 1813(u) and 1818(b)(3)), and waiving any and all rights that Citigroup may have pursuant to section 8 of the FDI Act (12 U.S.C. § 1818), including, but not limited to: (i) the issuance of a notice of charges; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; (iv) contest the issuance of this Order by the Board of Governors; and (v) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW, THEREFORE, it is hereby ordered that, 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 or denial by Citigroup 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, pursuant to sections 8(b)(1) and (3) of the FDI Act (12 U.S.C. §§1818(b)(1) and 1818(b)(3)), Citigroup and its institution-affiliated parties shall cease and desist and take affirmative action as follows:

### **Source of Strength**

1. The board of directors of Citigroup shall take appropriate steps to fully utilize Citigroup's financial and managerial resources, pursuant to section 38A of the FDI Act (12 U.S.C. § 1831o-1) and section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)), to serve as a source of strength to each of the Banks, including, but not limited to, taking steps to ensure that each of the Banks complies with the Consent Orders issued by their respective banking agency supervisors and any other supervisory actions taken by their respective banking agency supervisors.

### **Board Oversight**

2. Within 60 days of this Order, Citigroup's board of directors shall submit to the Reserve Bank an acceptable written plan to continue ongoing enhancements to the board's oversight of Citigroup's firmwide compliance risk management program with regard to compliance with BSA/AML Requirements. The plan shall describe the actions that the board of directors has taken since the Consent Orders became effective and will take to improve Citigroup's firmwide compliance risk management with regard to BSA/AML Requirements, including, but not limited to, ensuring that such compliance risk is effectively managed across Citigroup, including within and across business lines, support units, legal entities, and jurisdictions in which Citigroup and its subsidiaries operate. The plan shall, at a minimum, address, consider, and include:

(a) Funding for personnel, systems, and other resources as are needed to operate a BSA/AML compliance risk management program that is commensurate with the compliance risk profile of the organization and that fully addresses the organization's compliance risks on a timely and effective basis;

(b) policies to instill a proactive approach throughout the organization in identifying, communicating, and managing BSA/AML compliance risks;

(c) measures to ensure adherence to approved BSA/AML compliance policies, procedures, and standards, and ensure the timely completion of related projects and initiatives; and

(d) measures to ensure the resolution of BSA/AML-related audit, compliance reviews, and examination findings.

### **Compliance Risk Management Program**

3. Within 60 days of this Order, Citigroup shall submit an acceptable written plan to the Reserve Bank to continue to improve the governance, structure, and operations of the compliance risk management program with regard to BSA/AML Requirements and the regulations issued by the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC") (31 C.F.R. Chapter V). The plan shall, at a minimum, address, consider, and include:

(a) The structure and composition of Citigroup's compliance committees and a determination of the optimum structure and composition needed to provide adequate oversight of Citigroup's firmwide compliance risk management;

(b) enhanced written policies, procedures, and compliance risk management standards;

- (c) the independence and authority of the compliance functions and related compliance committees;
- (d) the duties and responsibilities of the heads of compliance for global business lines, the BSA/AML global program, and legal entities, as applicable, including the reporting lines within Citigroup, and between Citigroup and its business lines and legal entities;
- (e) a process for periodically reevaluating staffing needs in relation to the organization's compliance risk profile, and management succession planning for key compliance positions;
- (f) the scope and frequency of compliance risk assessments;
- (g) measures to ensure compliance and improve accountability within business lines and legal entities and their respective compliance functions;
- (h) procedures for the periodic testing of the effectiveness of the compliance risk management program;
- (i) consistency with the Board of Governors' guidance regarding Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles, dated October 16, 2008 (SR 08-8); and
- (j) the findings and recommendations of the consultant engaged by Citibank pursuant to Article V of Citibank's Consent Order with the OCC.

**BSA/AML Compliance Program**

4. Within 90 days of this Order, Citigroup shall complete a review of the effectiveness of Citigroup's firmwide BSA/AML compliance program (the "BSA/AML Review") and prepare a written report of findings and recommendations (the "BSA/AML Report"). The BSA/AML Review shall, at a minimum, address, consider, and include:

- (a) The structure of Citigroup's firmwide BSA/AML compliance program, including reporting lines and taking into account the functions that Citigroup performs for the Banks and Citigroup's other subsidiaries;
- (b) standards for BSA/AML compliance that apply on a firmwide basis, including business lines and legal entities;
- (c) the duties, responsibilities, and authority of Citigroup's chief BSA/AML compliance official, including reporting lines within Citigroup and from Citigroup's business lines and legal entities to the chief BSA/AML compliance official;
- (d) communication of BSA/AML-related roles and responsibilities across the organization;
- (e) coordination among corporate BSA/AML compliance and the BSA/AML compliance functions of the Banks, Citigroup's other subsidiaries, and business lines;
- (f) processes for monitoring business line and legal entity compliance with Citigroup's BSA/AML policies and procedures and BSA/AML requirements;
- (g) policies, procedures, and processes, including, but not limited to, those for identifying and investigating suspicious activity, and for filing suspicious activity reports;
- (h) the scope and frequency of reporting with respect to BSA/AML compliance within Citigroup, at a minimum, to senior management and board committees, as well as between Citigroup and its business lines and legal entities;
- (i) BSA/AML-related risk assessments;
- (j) measures to ensure that any BSA/AML compliance functions, including, but not limited to, transaction monitoring and suspicious activity reporting, that are performed by

Citigroup's nonbank subsidiaries for the Banks or the Edge Act corporation are performed to meet regulatory requirements;

(k) independent testing within Citigroup entities subject to BSA/AML

Requirements;

(l) training; and

(m) the findings and recommendations of the consultant engaged by Citibank pursuant to Article V of Citibank's Consent Order with the OCC.

5. Within 120 days of this Order, the board of directors of Citigroup shall review the BSA/AML Report and shall submit an acceptable written plan to the Reserve Bank that includes a description of the specific actions that Citigroup will take to continue to strengthen the management and oversight of Citigroup's firmwide BSA/AML compliance program, taking into account the requirements of the appropriate federal or state supervisor of Citigroup's functionally regulated subsidiaries.

### **Progress Reports**

6. Within 30 days after the end of each calendar quarter following the date of this Order, the board of directors of Citigroup or an authorized committee thereof shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Order, a timetable and schedule to implement specific remedial actions to be taken to address the recommendation in the Report, and the results thereof.

### **Approval and Implementation of Plans**

7. (a) Citigroup shall submit written plans that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 2, 3, and 5 of this Order.

(b) Within 10 days of approval by the Reserve Bank, Citigroup shall adopt the approved plans. Upon adoption, Citigroup shall promptly implement the approved plans and thereafter fully comply with them.

(c) During the term of this Order, the approved plans shall not be amended or rescinded without the prior written approval of the Reserve Bank.

### **Communications**

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

(a) Jonathan Polk  
Senior Vice President  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, New York 10045

(b) Kevin L. Thurm  
Chief Compliance Officer  
Citigroup, Inc.  
399 Park Avenue  
New York, New York 10022

### **Miscellaneous**

9. Notwithstanding any provision of this Order to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to Citigroup to comply with any provision of this Order.

10. The provisions of this Order shall be binding upon Citigroup and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

11. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

12. The provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting Citigroup, the Banks, any nonbank subsidiary of Citigroup, or any of their current or former institution-affiliated parties and their successors and assigns.

By Order of the Board of Governors effective this 21<sup>st</sup> day of March, 2013.

CITIGROUP INC.

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By: /s/ Kevin L. Thurm  
Kevin L. Thurm  
Chief Compliance Officer

By: /s/ Robert DeV. Frierson  
Robert DeV. Frierson  
Secretary of the Board