

Citigroup Corporate Profile

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1. Organizational Profile

Citigroup is the second-largest financial services firm in the world (behind Japanese firm Mizuho Financial), the largest credit card issuer, one of the main providers of online services and the first US bank with \$1 trillion in assets. The bank was born out of a 1998 merger between Citibank and Traveler's Group. A merger that was only legalized after US laws prohibiting combinations between banks and insurance companies were rolled back.

Citigroup finances different corporations involved in the privatization of different services on a global scale while some of its members are involved in the privatization of financial services in and outside of the United States. Citigroup has an agenda of deregulating financial services on a worldwide scale. Through its numerous [connections](#) with major trade coalitions in the United States, Citigroup has many avenues of influence over the US government's negotiating position in the World Trade Organization's General Agreement on Trade in Services (GATS).

Citigroup offers banking (mainly through Citibank), asset management, insurance and investment banking in more than 5,600 locations (2,600 in the United States alone) in some 100 countries around the world. The company employs 255,000 people worldwide. Some of Citigroup's numerous subsidiaries include the investment bank and brokerage Citigroup Global markets (formerly Salomon Smith and Barney), Travelers Life and Annuity, consumer lender CitiFinancial, and Primerica Financial Services. Internationally, Citigroup owns stakes in banks in several countries including Mexico's Grupo Financiero Banamex (Mexico's former national bank) and South Shinhan Bank. According to Citigroup's website the company is an "economic enterprise with a relentless focus on growth, aiming to increase earnings by double digits on average"

[Sources: Antonia Juhaz, "Servicing Citi's Interests, GATS and the bid to Remove Barriers to Financial Firm globalization", Multinational Monitor, April 2002, Vol. 23, No. 4, <http://multinationalmonitor.org/mm2002/02april/april02corp3.html>; Citigroup Press Release, "Citigroup to Acquire Grupo Argentaria's Stake in Siembra", February 23, 2000, <http://www.citigroup.com/citigroup/press/2000/000223c.htm>]

Due to its immense size and scope, Citigroup organizes its main divisions into five groups:

- **Citigroup Global Consumer Group** – The businesses included in this group offer banking services (primarily with Citibank), credit cards, loans and insurance and technology for the financial industry. Citigroup Global Consumer Group is made up of the following Citigroup subsidiaries: Citibanking; Cards; CitiCapital (provides truck, construction, material handling, healthcare, office equipment finance and franchise and municipal finance); Citifinancial (consumer finance and community based-lending services in North America, Europe and Japan); and Primerica Financial Services.

- **Global Corporate Investment Bank** – Provides financial services for corporations, governments, institutional and Individual Investors. Global Corporate Investment Group is made up of the following Citigroup subsidiaries: Global Equities (provides equity capabilities for corporate, institutional and retail investors); Global Fixed Income; Global Investment Banking and Global Relationship Banking (provides financial advisory services to corporations, financial institutions and governments); Global Securities Services (offers cross border transaction services); Citigroup Cash, Trade and Treasury Services (offers cash management, treasury, trade finance and e-commerce solutions to corporations, financial institutions, intermediaries and governments).

- **Smith Barney** – Smith Barney is Citigroup's global private wealth management and equity research unit. It provides financial planning and advisory services to investors, institutions, corporations, private businesses and governments worldwide

- **Citigroup Global Investment Management** – Provides global investment management to wealthy individuals, investors and large institutions. Citigroup Global Investment Management is made up of the following Citigroup subsidiaries: The Citigroup Private Investment Bank (Personalized wealth management for affluent clients); Citigroup Asset Management; Global Retirement Services; Travelers Life and Annuity; Citigroup Alternative Investment.

- **Citigroup International** – Provides banking services through the Citibank label to over 100 countries worldwide including a large presence in the South where, in many cases, adequate regulatory structures to handle the power and marketing of large financial corporations do not exist. Citigroup International is one of the largest providers of credit cards and automatic teller machines to countries in the South. The company also provides treasury, foreign exchange and financial advisory services to large corporations and governments.

[Source: Citigroup Website, <http://www.citigroup.com/citigroup/about/index.htm>; for a family tree of Citigroup's ancestor companies visit, <http://www.citigroup.com/citigroup/corporate/history/data/tree85x11.pdf>]

Head Office

399 Park Ave.
New York, NY,
10043
United States
Telephone: (212) 559-1000
Fax: (212) 793-3946

<http://www.citigroup.com>

Executive Salaries for 2002

Executives	Salary	Total compensation including options
Sanford Weill – CEO and Chair of the Board	\$1,000,000	\$22,328,134 (Weill announced that he did not deserve a bonus in 2002 due to his performance) [source: hoovers]
Robert Rubin – Chair of the Executive Committee, Director	\$1,000,000	\$19,208,454
Victor Menezes – Senior Vice Chair	n.a.	n.a.
Michael Masin – Vice Chair, COO	n.a.	n.a.
Deryck Maughan – CEO and Chair of the Board Citigroup Intl.	\$825,000	\$17,007,498
Robert Willumstad – CEO and CEO of Global Consumer Group	\$512,500	\$11,240,698
Thomas Jones – CEO and chair, Global Investment Management and Citigroup Asset Management	n.a.	n.a.
George Kokulis – CEO, Chair and President, Travelers Life and Annuity	n.a.	n.a.
Sallie Krawcheck – CEO, Chair, Smith Barney	n.a.	n.a.
Charles Prince – CEO and Chair, Global Corporate and Investment Bank	\$500,000	\$8,349,320
Toshiharu Kojima – CEO and Chair, Nikko Salomon Smith and Barney	n.a.	n.a.
William Rhodes – Senior Vice Chair, Senior Intl. Officer	n.a.	n.a.

[Sources: Hoover's Company Profile Database; Wall Street Journal]

2. Economic Profile

Stock Symbol – C (on the NYSE)

Financial Data	2002	2001	%Change
Revenue	\$58,939m	\$64,484m	-9.4%
Net Income	\$13,539m	\$13,316m	1.6%
Long Term Debt	\$126,927m	\$121,631m	4.1%
Earnings per Share	\$2.94	\$2.72	n/a

For the Quarter ended March 3, 2003		
Financial Data	Dec. 2002	Change
Revenue	\$14,345m	up 1.6% from prev. year

Net Income	\$4,141m	\$640 million higher than in March 2001
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[Source: Wall Street Journal]

Key Transactions of the Past Few Months for Citigroup – These transactions provide a sense of the scope and diversity of Citigroup's operations

- **July 2003** – Citigroup CEO Sanford I. Weill announced that Charles O. Prince will become Citigroup's Chief Executive Officer and Robert B. Willumstad, 57, President, will become Chief Operating Officer by January 1, 2004. As well, both executives were elected to the Citigroup board of directors. Weill will keep his position as Chair of the Board until 2006. [Source: Citigroup Press Release, "Citigroup Announces New Senior Leadership Team", July 16, 2003, <http://www.citigroup.com/citigroup/press/2003/030716a.htm>]
- **July 2003** – Citigroup acquired Sears' credit card business for \$3 billion to become the largest private label credit card provider in the United States. [Source: Citigroup Press Release, "Citigroup to Acquire Sears Credit Card Business", <http://www.citigroup.com/citigroup/press/2003/030715a.htm>]
- **July 2003** – Citigroup settles Enron related investigations with the Securities and Exchange Commission, the Office of the Comptroller of the Currency, the Federal Reserve Bank of New York, and the New York County District Attorney's Office for over \$140 million. [Source: Robert Julavits, "Chase, Citi Style differences Reflected in Enron Settlements", The American Banker, July 29, 2003]
- **July 2003** – Citigroup closed a debt finance deal worth ZAR 270 million in order to expand South African company LignoTech's lignosulphate plant in Umkomaas, KwaZulu-Natal. The deal will finance the entire debt portion of a recently completed plant expansion. [Source: Citigroup Press Release, "Citigroup Finances LignoTech Plant Expansion," July, 2003, <http://www.citigroup.com/citigroup/press/2003/030704a.htm>]
- **June 2003** – Again in South Africa, Citigroup announced the completion of \$530 million multi-faceted project financing for mobile network operator Cell C (Pty) Ltd, the largest telecom deal in Sub-Saharan Africa in 2003. [Source: Citigroup Press Release, "Citigroup Arranges \$530 million Financing Package for Black Empowerment Project in Telecom Industry", June, 2003, <http://www.citigroup.com/citigroup/press/2003/030623a.htm>]
- **June 2003** – Citigroup and the International Finance Corporation (IFC), the private sector arm of the World Bank, signed a \$70 million trade enhancement facility designed to provide financing for private sector importers of capital goods and raw materials in Jordan and Lebanon. The trade enhancement facility includes four banks: Cairo Amman Bank and Finance Bank in Jordan and Bank of Beirut and the Arab Countries and Banque Libano-Francaise in Lebanon. [Source: Citigroup Press Release, "IFC and Citigroup Establish \$70 million Trade Facility in Jordan and Lebanon", June 2003, <http://www.citigroup.com/citigroup/press/2003/030617a.htm>]
- **May 2003** – Citibank, a member of Citigroup, launched a co-brand credit card with notorious oil company Shell's operations in Hungary. [Source: Citigroup press release, "Citibank and Shell Launch Co-brand Credit Card", May 2003, "Citibank and Shell Launch Co-brand Credit Card", May, 2003, <http://www.citigroup.com/citigroup/press/2003/030529a.htm>]
- **February 2003** – It was announced that Citigroup's private label credit card division, Citi Commerce Solutions, signed a multi-year agreement with US energy corporations to provide a

private label credit card program for the Conoco, Phillips 66 and Union 76 gasoline credit cards. [Source: Citigroup Press Release, "Citibank Is Awarded Long-Term Private Label Agreement With ConocoPhillips", February 2003, <http://www.citigroup.com/citigroup/press/2003/030224a.htm>]

- **December 2002** – Citigroup announced that it would take a charge of \$1.5 billion against its fourth-quarter earnings in order to quantify its potential damages from a settlement with securities regulators. The investigation by securities regulators stems from Citigroup's involvement with the Enron scandal (see [below](#)). [Source: Associated Press, "Citigroup Takes \$1.5B Charge", December 23, 2002, <http://www.cbsnews.com/stories/2003/01/04/national/main535269.shtml>]

Selected major infrastructure financing transactions done through Citigroup, including infrastructure privatizations:

- **May 2003** – Citigroup expanded their operations to Ghana. The opening event was attended by local business people and dignitaries including the governor of Ghana's Central Bank. A trade delegation from the US state of New Jersey also attended the event. [Source: Citigroup press release, "Citigroup Expands its Operations to Ghana", May, 2003, <http://www.citigroup.com/citigroup/press/2003/030514a.htm>]

- **May 2003** – Citi Islamic Investment Bank, Bahrain, a member of Citigroup, together with Islamic Development Bank and Pakistan's United Bank Ltd., acted as a joint arranger for a \$150 million, 3-year Islamic Lease Finance Facility for Pakistan International Airlines. Proceeds will go towards the purchase of three new aircraft for the airline. [Source: Citigroup Press Release, "Citi Islamic Investment Bank: Arranging \$150 million Islamic Lease Facility for Pakistan International Airlines", May, 2003, <http://www.citigroup.com/citigroup/press/2003/030504a.htm>]

- **May 2003** – Citibank, in partnership with Yayasan HOPE (part of the faith based charity group HOPE Worldwide <http://www.hopewww.org/>), launched a funding program aimed at providing support for high school teachers in Jakarta, Tangerang and Bekasi. The program is designed to develop and implement educational activities for students. [Source: Citigroup Press Release, "Citibank Peka Launches CitiSuccess Fund Program for High School Teachers in Tangerang and Bekasi", May 2003, <http://www.citigroup.com/citigroup/press/2003/030501a.htm>]

- **March 2003** – CitiStreet, a member of Citigroup and one of the world's largest providers of private benefit and retirement services, was selected to be the third-party administer for the US State of Hawaii's deferred compensation plan for state and county workers. CitiStreet manages approximately \$200 billion in the United States for defined contributions, defined benefit, health and welfare plans for corporations and governments. Other US states, including Arkansas and Ohio have hired CitiStreet to manage their public employees' retirement and benefits plans. CitiStreet also has a division in Australia, CitiStreet Australia. For information on the Bush government's push to privatize social services in the United States visit: <http://www.csss.gov/> (President's Commission to Strengthen Social Security website) [Source: Citigroup Press Release, "Hawaii Selects CitiStreet for its Deferred Compensation Plan", March 2003, <http://www.citigroup.com/citigroup/press/2003/030327a.htm>]

- **January 2003** – Citibank received approval from the Chinese Government to offer internet banking services in People's Republic of China. The approval allows Citibank to offer internet services to domestic and international companies, as well as the general population. [Source: Citigroup Press Release, "First Foreign Bank in China to Offer Web-based Banking Services for Both Corporate and Consumer Clients" January 2003, <http://www.citigroup.com/citigroup/press/2003/030127a.htm>]

- **June 2002** – The State of South Carolina selected Citigroup member CitiStreet to provide record-keeping and administrative services for all state and local government employees participating in 457 and 401(k) retirement plans. The corporation is also providing education resources and customer services for participants. [Source: CitiStreet Press Release, "South Carolina Selects CitiStreet for Deferred Compensation Plans", June 27, 2002, http://www.citistreetonline.com/com/com_sub_index.asp?lvl=4-3-0-0]
- **August 2001** – Citigroup acquires Mexico's former national bank and the country's largest commercial bank, Grupo Financiero Banamex-Accival, for \$12.5 billion. The new bank operates under the name Banamex. At the time, the acquisition was the largest financial services transaction in the South and was the biggest corporate deal in Mexico's history. The deal was met with popular resistance in Mexico due to discontent over the increase in foreign ownership of Mexican companies and the fact that Mexicans had recently helped, through higher taxes, pull Banamex from the brink during the peso crisis only to have the bank sold to an American company. Citigroup's acquisition of Banamex put Citigroup in control of one of the largest Money Laundering institutions in Mexico. In 1999 then US Treasury Secretary Robert Rubin (presently employed by Citigroup as Chair of the Executive) led an operation against Mexican money laundering that targeted, among others, Banamex. By 2001, Rubin was negotiating the deal to buy the same bank he had investigated for money laundering. [Sources: Citigroup Press Release, "Citigroup Successfully Completes Acquisition of Grupo Financiero Banamex-Accival", August 6, 2001, <http://www.citigroup.com/citigroup/press/2001/010806a.htm>; Robin Emmott, "Banamex Steps Up Security", Financial Times, August 10, 2001; Rainforest Action Network Press Release, "Citigroup Becomes Mexico's Largest Bank After Banamex Merger" August 10, 2001, <http://www.ran.org/news/newsitem.php?id=411>]

3. Political Profile

Government and big business associations: Citigroup has numerous connections with powerful trade liberalization organizations. Membership gives Citigroup incredible influence over US government negotiating positions on the World Trade Organization's General Agreement on Trade and Services (GATS).

- **USA-Engage** <http://www.usaengage.org> – Citigroup is a member of USA-Engage, a broad-based organization representing individuals and corporations who view the US' unilateral economic sanctions imposed on various countries as damaging to the US economy. USA-Engage directly targets US sanctions restricting US companies from investing. USA-Engage does not distinguish between the nature of government sanctions and how they may negatively impact local populations. They view sanctions strictly as barriers to profit for US corporations. USA-Engage is supported by powerful lobby groups, including The Wexler Group, who have successfully combated new sanctions efforts in the White House and Congress.
- **US Coalition of Service Industries (USCSI)** www.uscsi.org – Citigroup is a member of the key group pushing services privatization and liberalization through the General Agreement on Trade in Services (GATS) at the World Trade Organization (WTO) and the Free Trade Agreement of the Americas service negotiations.
- Citigroup is on the Board of the **National Foreign Trade Council** www.nftc.org, which advocates for the international and public policy priorities of its business members.

- Citigroup is member of the **US Council for International Business** www.uscib.org, which is an advocate for US corporations with the goal of influencing "laws, rules and policies that may undermine U.S. competitiveness, wherever they may be". The USCIB is the U.S. wing of the International Chamber of Commerce, and was the key corporate lobby group in the push for the failed Multinational Agreement of Investment (MAI). They are also heavily involved in the current pro-liberalization lobby regarding negotiations on the Free Trade Area of the Americas and the World Trade Organization.

- **Citigroup has a seat at the US Department of Commerce Industry Sector Advisory Committee (ISAC)** – ISAC members, made up of executives from large corporations, provide advice and information for the US administration on issues that affect US industry. Citigroup's involvement in the ISACs gives them incredible power in the process of influencing the position of the US administration towards the energy sector. [Source: Antonia Juhaz, "Servicing Citi's Interests, GATS and the bid to Remove Barriers to Financial Firm globalization", *Multinational Monitor*, April 2002, Vol. 23, No. 4, <http://multinationalmonitor.org/mm2002/02april/april02corp3.html>]

Past and Present Links to the Government of the United States and International Financial Institutions – The 'Revolving Door'

- **Robert Rubin, Chair of Citigroup's Executive Committee, Director – Former United States Treasury Secretary Under President Clinton:** Robert Rubin left his post in the Clinton administration in 1999 for his new job at Citigroup. In November 2001, when it became clear that Enron would declare bankruptcy, Rubin called Undersecretary for Domestic Finance Peter Fisher to ask if he was going to contact bond-rating agencies to question their plans to downgrade Enron's credit rating. Rubin attempted to use his connections to influence the US government to try to keep Enron from collapsing. He was trying to protect Citigroup because the bank had loaned Enron \$800 million, and a downgrade in Enron's credit rating would mean that Enron bonds would be seen as risky. As a result, people would be less likely to invest, and Enron would have been more likely to collapse, leaving Citigroup on the lurch (which eventually did happen). While the official declined to help, Rubin's actions became part of Senate investigations into the former Treasury Secretary's dealings with Enron. In January 2003 the investigation declared that Rubin had not broken any laws or regulations. Nevertheless, this incident is a clear example of the intimate connections between the US government and corporate America. [Sources: Sarah Laitner, "Senate clears Rubin on Enron", *Financial Times*, January 4, 2003; David Lazarus, "Enron's Lay courted Rubin -- but didn't get to first base", *San Francisco Chronicle*, February 22, 2002]

- **Haley Barbour, Citigroup Lobbyist** – Barbour, a former chairman of the Republican National Committee, now counts Citigroup as one of his lobby firms many high profile clients. He is also running for the governorship of Mississippi. [Source: Arianna Huffington, "Ask Not What Your Country Can Do for You, Ask ... How Much Exactly?", *L.A. Times*, March 26, 2003, <http://www.latimes.com/la-oe-huff26mar26.htmlstory>]

- **Stanley Fischer, President of Citigroup International** – Fischer joined Citigroup in 2002. From 1994 to 2001, Fischer was the First Deputy Managing Director of the International Monetary Fund. He worked as a Chief Economist at the World Bank from 1988 to 1990. Fischer has also held consulting appointments with the US State Department and the US Treasury. Fischer is now

being considered for the presidency of the New York Federal Reserve Bank. [Source: Biography posted at <http://www.iie.com/fischer/bio.html>]

- **Richard Small, Citigroup's global anti-laundering director** – Small formerly served as the Associate Director at the Federal Reserve Board, provided counsel to senior Treasury Department personnel and was a Federal prosecutor with the U.S. Department of Justice. Small now works for the corporation that he used to regulate. [Source: Biography posted at: http://www.aba.com/Conferences+and+Education/ce_money_laundering_faculty.htm]

- **Bill Richardson, Consultant for Salomon Smith Barney's (member of Citigroup) Global Energy and Power Group** – Richardson served as Energy Secretary from 1998 to 2001 under US President Bill Clinton. Prior to his tenure in the Energy Department, Richardson was US Ambassador to the United Nations. His political career includes eight terms in the US congress representing the state of New Mexico. Richardson was hired by Citigroup in 2001. Bill Richardson became Governor of the State of New Mexico on January 1, 2003. [Source: Richard Benedetto, "Energy secretary for Clinton to take helm", USA Today, November 7, 2002, http://www.usatoday.com/news/politicselections/2002-11-06-richardson_x.htm; Citigroup Press Release, "Former Energy Secretary Bill Richardson Becomes Consultant for Salomon Smith Barney's Global Energy and Power Group", July 24, 2001, <http://www.citigroupssb.com/data/documents/press07-24-01.html>]

- **Marshall Froman, President of Citilnsurance International Holdings Inc., a member of Citigroup** – Froman served as Chief of Staff of the US Department of the Treasury from 1977 to 1999. He was Robert Rubin's advisor on many important issues chief of staff. From 1993 to 1995, Froman was director for international Economic Affairs on the National Economic Council and the National Security Council at the White House. [Source: United States Institute for Peace website, <http://www.usip.org/events/pre2002/lansdowne-bios.html>]

Corporate Welfare

Citigroup is one of the leading recipients of loans from the US Overseas Private Investment Corporation (OPIC), from whom they rely on for support in countries including Argentina, Brazil and Jamaica. <http://www.multinationalmonitor.org/mm2002/02april/april02/editorial.html>

Political Contributions

- **1989 - 2002** – Since the 1990 election cycle (election cycles last two years), Citigroup Inc. has donated \$15,314,545 to political parties in the United States as reported by the Federal Election Commission. This places Citigroup among the top twenty donors to political parties in the United States. Fifty three percent of this total went to the Republican party and 43% to the Democratic party. Contributions from Citigroup come from individuals giving \$200 or more, from Political Action Committees (a political committee organized for the purpose of raising and spending money to elect and defeat candidates, most PACs represent business, labor or ideological interests), and soft money.

- **2002** – In the 2002 election cycle Citigroup made \$1,593,660 in soft money contributions with 39% going to the Democrats and 61% to the Republicans. Citigroup's two PACs contributed \$92,000 (39% to Democrats, 60% to Republicans) and \$463,000 (45% to Democrats, 55% to Republicans) to federal and state candidates during the 2002 election cycle.

- **2000** – In the 2000 election cycle Citigroup made \$1,556,510 in soft money contributions with 48% going to the Democrats and 52% to the Republicans. Citigroup's two PACs contributed \$41,500 (70% to Democrats, 30% to Republicans) and \$517,500 (49% Democrats, 51%

Republicans) to federal and state candidates during the 2000 election cycle. During this cycle, Citigroup donated \$116,200 to George W. Bush and \$114,500 to Al Gore.

[Sources: Center for Responsive Politics; <http://www.opensecrets.org>;
<http://www.opensecrets.org/orgs/summary.asp?ID=D000000071&Name=Citigroup+Inc>]

4. Social Profile

• **Citigroup, the IMF and Brazil** – In August 2002 the International Monetary Fund offered Brazil a \$30 billion loan in order to avoid a potential default on its debt. Much of this debt was to big banks, including Citigroup who has \$9.7 billion in assets in Brazil. After the IMF loan was announced, Citigroup's stock value rose because investors knew that a potential debt default had been averted and that the IMF money would flow back to Citigroup as payback on their investments. The reality for the Brazilian population is that by accepting new loans, the country was forced to follow an austerity program that requires the privatization of social programs in order to cut costs and save money in order to pay back the IMF loan. Brazilians will be living under severe austerity in order to pay back big corporations like Citigroup and JP Morgan - the poor paying with the erosion of their public services and their already weak social programs in order to ensure that the investments of billion dollar companies will not be hurt. [Source: Darren Puscas, "Enron Style Corporate Crime and Privatization: A look at the U.S. Coalition of Service Industries", Polaris Institute]

• **Citigroup and money laundering** – In a 2001 article published in the Mexican Daily, La Jornada, James Petras noted that Citibank is the biggest of all US banks and is the biggest money launderer. He estimates that during the 1990s, between \$2.5 and \$5 trillion in dirty money laundered by US banks and was in circulation. Petras states that "without the 'dirty money' the U.S. economy's external accounts would be totally unsustainable, living standards would plummet, the dollar would weaken, the available investment and loan capital would shrink and Washington would not be able to sustain its global empire."

Citigroup has come under investigation for its suspected money laundering. In one case, Citibank helped Raul Salinas (embattled brother of former Mexican president) transfer \$90 to \$100 million out of Mexico in a way that disguised the destination and source of the funds thus breaking the funds' paper trail. Citibank then set up an offshore corporation, provided Salinas with a secret code name, provided an alias for a third party intermediary who deposited the money in a Citibank account in Mexico and transferred the money to New York where it was moved to Switzerland and London. After Salinas was arrested and his theft of government funds was exposed, his Citibank manager stated that "this goes in the very, very top of the corporation, this was known...on the very top. We are little pawns in this whole thing."

Citibank has also been the subject of congressional investigations for providing services (moving \$380 million) for political swindlers in Pakistan, Gabon and Nigeria. Petras notes that in each case Citibank violated all of its own procedures along with government guidelines. In 2001 the Senate Permanent Subcommittee on Investigations required Citibank to explain documented falsehoods, mercenary conduct and lying to banking regulators. Citibank was accused of giving false statements to Argentine regulators and for failing for two years to close an offshore Cayman Islands bank whose funds had been seized by US authorities for money laundering and despite indications that the money had come from drug dealers in Mexico.

In 1998 US department of Treasury money laundering investigation, Operation Casablanca, revealed that \$7.8 million in drug money from Mexico's Juarez drug cartel had been wired through a Citibank account held by Argentina's Mercado Abierto Group.

[Sources: Jamie Dettmer, "Must U.S. Banks Be Kept in Check?" Insight on the News, March 17, 2003, <http://www.insightmag.com/main.cfm/include/detail/storyid/370712.html>; Tim Golden, "Citibank Criticized for Slow Response to Money Laundering Scheme", New York Times February 27, 2001, <http://www.globalpolicy.org/nations/corrupt/laundering/2001/0227cb.htm>; James Petras, 'Dirty Money': Foundation of US Growth and Empire", La Jornada, May 19, 2001, <http://www.narconews.com/petras1.html>]

• **Citigroup and predatory lending** – In 2001, the United States Federal Trade Commission (FTC) filed a lawsuit against Citigroup and two of its subsidiaries, CitiFinancial Credit Company and Associates First Capital. The companies were charged with widespread abusive lending practices and violations of the Truth in Lending Act and the Equal Credit Opportunity Act. Citigroup acquired Associates First Capital Corporation in 2000, which then merged with Citigroup subsidiary CitiFinancial Credit. Multinational Monitor commented in 2002 that "Citigroup became the nation's largest predatory lender when it acquired Associates First Capital Corporation."

In 2000 Associates First Capital was one of the largest "subprime" lenders in the United States. Subprime borrowers with bad credit history are considered high risk. Predatory lenders take advantage of this vulnerability by charging higher interest rates, attaching add-ons like credit insurance and leading them into unaffordable repayment plans.

The Director of the FTC's Bureau of Consumer Protection stated that Citigroup engaged in a number of deceptive practices including, hiding essential information from consumers, misrepresenting loan terms, flipping loans (the practice by financial institutions of refinancing transactions and then charging a new round of fees) and pacing optional fees in order to raise the costs of loans. The Director stated that "what made the alleged practices more egregious is that they primarily victimized consumers who were the most vulnerable - hard-working homeowners who had to borrow to meet emergency needs and often had no other access to capital."

The FTC claims that the Associates charged its customers higher prices than those available to borrowers in the prime market. According to the FTC, the Associates charged as many as eight points (one point equals one percent of the amount charged) on mortgage loans in addition to inflated fees.

Once the Associates had enticed customers through aggressive schemes (including the mailing of 'live checks' which when endorsed triggered a high interest loan), they would be aggressively solicited to take out new loans and to refinance debts by flipping them into a single debt consolidation loan. The FTC charges that Associated customers were duped by false statements that flipping loans would lower monthly payments.

Citigroup responded to the allegations suggesting that all of the questionable practices had occurred prior to their acquisition of Associates First Capital. They called for all charges to be dropped against Citigroup and CitiFinancial. In response to Citigroup, the FTC produced affidavits from a former Citigroup employees who charged that CitiFinancial had engaged in unethical lending prior to the merger. The court refused to sever Citigroup and its subsidiaries from the lawsuit.

In other cases involving Citigroup's lending practices, the company in 2000 had to paid \$20 million to North Carolina customers of Associates and \$300 000 to the state in order to settle allegations that customers had been duped into buying unnecessary credit insurance as part of their mortgage loans.

In September 2002, Citigroup settled with the FTC for \$215 million over predatory lending. The fund was to be distributed among the victims of Citigroup's predatory lending practices.

[Sources: Michael Hudson, "Banking on Poverty", Mother Jones, July/August, 2003, http://www.motherjones.com/news/outfront/2003/28/ma_453_01.html; Jake Lewis, "Predatory Associates: Citigroup, Predatory Lending and the Credit Crunch for the Poor and Working Class", Multinational Monitor, April 2002, Vol. 23, No 4, <http://www.multinationalmonitor.org/mm2002/02april/april02corp2.html>; Ralph Nader, "Predatory Lending", Published on <http://www.commondreams.org/views02/1122-02.htm> November 22, 2002]

• **Citigroup and Enron** – In December 2002 a US Senate Sub-Committee investigation was launched to examine Citigroup's involvement with disgraced energy company [Enron](#). In December 2002 investigators examined a number of undisclosed deals between Citigroup and Enron that raise questions about whether Citigroup ignored its own internal guidelines and went around accounting requirements in order to satisfy an important client. The investigations took their toll on Citigroup's stock price in 2002, and by July 2002 it had tumbled by 38 percent.

Investigators focused on two deals between Citigroup and Enron. According to a report released by Neal Batson, the court appointed examiner in Enron Corp's bankruptcy, Citigroup along with other banks helped Enron violate generally accepted accounting principles (GAAP) and that Citigroup knew that Enron was misrepresenting deals in its own annual reports. The report accuses Citigroup bankers of failing to follow basic financial practices. In one case, two off-balance-sheet deals were designed to hide some of Enron's missing revenues after a joint-venture partner walked away from its pulp and paper business. The two deals, completed by Citigroup and Morgan Stanley on successive days at the end of 2000, were, according to the report "short-term interim financings done solely to allow Enron to record \$112 million of income from a purported sale that never truly took place," and to "record cash flow...that was actually from a financing." Batson reported that the most lucrative bank related financings were a series of deals known as prepays, or complex commodity contracts where banks provided Enron with financing that did not have to be classified as loans and therefore disguised Enron's actual debt. Between 1992 and 2001 these deals brought Enron a total of \$8.6 billion in revenues and created a cash flow that inaccurately portrayed the company's ability to generate earnings from actual operations. Business week reports that prepays structured by Citigroup and Morgan provided 100% of Enron's cash flow in 1999 and 32% of its 2000 cash flow. Citigroup was responsible for prepays which brought in \$2.3 billion in revenues for Enron from December, 1999, to May, 2001.

Along with the Congressional investigation, Citigroup's role in propping up Enron brought about a class action lawsuit and a United States Securities and Exchange Commission investigation. One class action lawsuit filed against Citigroup, alleged that the bank and its senior executives misled shareholders about a 1999 transaction with Enron. The suit refers to a transaction structured as a commodity trade that it claims was a disguised loan devised to keep \$125 million of debt off of Enron's balance sheet.

In late 2002 Citigroup set aside \$1.5 billion in order to deal with the hefty payouts resulting from settlements with the New York State Attorney General and the Securities and Exchange Commissions.

Citigroup's involvement with Enron and WorldCom has led some analysts to put the bank's legal and regulatory liability at \$10 billion. Due to their ties to the two scandals, Citigroup's stock was downgraded by 10 percent in September 2002 by one analyst.

Note – On July 28, 2003, Citigroup settled with the Security and Exchange Commission (SEC), the Office of the Comptroller of the Currency, the Federal Reserve Bank of New York, and the New York County District Attorney's Office. The settlements resolve, on a civil basis, investigations by these groups into Citigroup's loans (or, according to Citigroup, 'structured financing') to Enron. Under the terms of the SEC agreement, Citigroup will pay a total of \$120 million in disgorgement, penalties and interest to the SEC, \$101.25 million of which is related to

Enron. Citigroup will pay \$12.5 million to New York State and \$12.5 million to New York City along with \$500,000 for the costs of the New York District Attorney's investigation. The SEC also Ordered Citigroup to "cease and desist" from causing or committing any violation of federal antifraud provisions. The settlements amount to a slap on the wrist for the multi-billion dollar corporation.

[Sources: Citigroup Press Release, "Citigroup Statement on Enron Settlements with the SEC, Federal Reserve, OCC, and Manhattan DA", July 28, 2003, <http://www.citigroup.com/citigroup/press/2003/030728a.htm>; Riva D. Atlas, "Citigroup Is Pelted on Potential Losses and Liabilities", New York Times, September, 2002; Robert Julavits, "Chase, Citi Style differences Reflected in Enron Settlements", The American Banker, July 29, 2003; Carrie Johnson, "Senate Panel Says 2 Banks Helped Enron Hide Loans", Washington Post, July 24, 2002, <http://www.washingtonpost.com/ac2/wp-dyn/A53153-2002Jul23?language=printer>; David Teather, "Citigroup Executives Named in Enron-Linked Class Action", Guardian Unlimited, August 7, 2002, <http://www.guardian.co.uk/enron/story/0,11337,770277,00.html>; Heather Timmons, Emily Thornton, "Enron Nightmare Just Got Worse", Business Week, March 24, 2003, http://www.businessweek.com/magazine/content/03_12/b3825061_mz020.htm; for information on the SEC's civil action against Citigroup visit <http://www.sec.gov/litigation/complaints/comp18111.htm>]

- **Citigroup and WorldCom** – WorldCom was a top client at Citigroup before the telecommunications corporation declared bankruptcy in 2002. Since then there have been a number of investigations into WorldCom's actions as well as into the actions of the company's banks. One investigation, stemming from a class-action lawsuit in the State of New York, uncovered a January 2001 filing with the Tennessee Secretary of State by a company controlled by Bernard Ebbers (WorldCom founder and Chairman), Joshua Timberlands. Timberlands was set up by Ebbers in September 1999 to buy 460,000 acres of forest in the United States. The document shows Citigroup unit, Travelers Insurance as an equity owner alongside Ebbers. Units of Travelers lent Ebbers \$134 million for the deal. This is only a small portion of the \$1 billion bankruptcy court examiner Dick Thornburgh says Ebbers borrowed against WorldCom shares from Citigroup and Bank of America.

Aside from the land purchase, investigators say that Citigroup loans helped finance Ebbers' ranch in British Columbia and two luxury yachts. The lawsuit filed in New York alleges Citigroup exposed itself to conflict because its loans to Ebbers' private companies gave it an incentive to highly rate the value of WorldCom stock.

Close ties between executives at Citigroup unit Salomon, Smith and Barney and WorldCom led to a House Financial Services Committee investigation. An email from a former top analyst at Salomon suggests that the firm was cutting WorldCom stock from their recommended list while continuing to rate it highly. The analyst did not downgrade WorldCom until June 2002, the day before the company announced that it had improperly accounted for \$3.8 billion in expenses.

[Sources: Riva D. Atlas, "Citigroup Is Pelted on Potential Losses and Liabilities", New York Times, September 4, 2002; Gretchen Morgenson, "More Clouds Over Citigroup in its Dealings With Ebbers", New York times, November 3, 2002; Financial Times, December 20, 2002, Comment and Analysis]

Problem Contracts

Many of Citigroup's problem contracts are related to the financing of projects that have negative social and environmental impacts. Citigroup has been the target of well organized and sustained

campaigns to bring to light and resist the bank's record of funding environmentally and socially destructive projects.

In the Spring of 2003, Under pressure from these high profile campaigns, Citigroup, along with 9 other large financial institutions adopted a set of environmental and social guidelines for project financing. Known as the "Equator Principles" (<http://www.equator-principles.com/>), the guidelines are based on the policies of the International Finance Corporation (IFC), the private sector lending arm of the World Bank Group.

The Guardian (London) reported that signatories refused to give any indication of the types of projects for which they might refuse financing in the future. A collective of environmental Non-Governmental Organizations in reaction to the Equator Principles stated that "whether or not the Equator Principles (EPs) represent a significant initiative or a negligible one depends on banks' commitment to strengthen them and be transparent in their implementation of the Principles." While the EPs are modeled on guidelines from the IFC, that organization itself has a poor record of implementing its own safeguard policies. Projects, like the OCP project in Ecuador outlined below, that do not meet IFC standards are financed anyway. The EPs also lack a accountability mechanisms for ensuring that endorsing banks are actually complying. The EPs have also been criticized for their lack of emphasis on social issues. For example, an early version of the EPs referenced "human rights", but was replaced with "socially responsible" in a later one.

While Citigroup may sound like a contrite reformer with their endorsement of the EPs, many loopholes remain for the financing of socially and environmentally harmful projects. In addition, the EPs do nothing to prevent the expansion and development of devastating projects originally financed by Citigroup (see New Guinea below).

[Sources: Citigroup Press Release, "A New Industry Framework for Environmental and Social Standards in Global Project Finance Lending", June 4, 2003, <http://www.citigroup.com/citigroup/press/2003/030604a.htm>; Rainforest Action Network, Current News, "Collective NGO Analysis of the Equator Principles", http://www.ran.org/news/equator_ngo.html; Jill Treanor, "Banks agree to ethical checks: Campaign groups wary as 10 big lenders promise to consider socioeconomic impact of projects they back", Guardian (London), June 5, 2003]

The following is a short overview of some of the energy projects Citigroup has funded over the years. In many cases Citigroup has funded private companies that are participating in the privatization of energy services

- **Ecuador: OCP Pipeline** – Citigroup guaranteed a \$200 million loan to the Ecuadorian Government for the building of the Oleoducto de Crudos Pesados (OCP) Pipeline in Ecuador. The bank also provided credit for OCP Ltd's consortium member the Argentinean oil company, Perez Companac. In early 2003 construction on parts of the OCP pipeline near the protected Mindo Nambillo cloud forest were suspended by Ecuador's newly elected Environment Minister Edgar Isch after trees, plants and habitats of local species were damaged by construction in breach of the project's license. The Minister demanded that OCP be held to the terms of its license before it can continue with construction. This will threaten to push the completion of the project past the July 2003 deadline guaranteed by Citigroup. If the deadline is not met, OCP Ltd will be forced to pay \$70,000 per day for the first week, increasing to as much as \$2.95 million per day after 85 days. If the OCP consortium abandons the project it will have to pay the Ecuadorian government \$100 million. These costs could dramatically impact Citigroup's bottom line.

The OCP pipeline will be a 550-kilometer pipeline that will carry 450,000 barrels of heavy crude oil daily from reserves in the Ecuadorian rainforest to refineries on the Pacific coast. New oil wells, service roads and flow lines will be built in protected areas. The pipeline will run along the

earthquake-prone Andes increasing the likelihood of oil spills. [Sources: Ilyse Hogue, "The Cost of Living Richly: Citigroup's Global Finance and Threats to the Environment", *Multinational Monitor*, April 2002, Vol. 23, No. 4, <http://www.multinationalmonitor.org/mm2002/02april02corp1.html>; Rainforest Action Network Press Release, "Delay of Pipeline Construction Pits Citigroup Against Pristine Forest", January 30, 2003, <http://www.ran.org/news/newsitem.php?id=622>]

• **Thailand: Ratchaburi Electricity Generating Company** – Citibank is part of the consortium of banks that has financed the Ratchaburi Electricity Generating Company of Thailand. The Ratchaburi plant is tied to the infamous Yadana gas pipeline in Burma, and was built for the purpose of taking all of the gas from this pipeline. Without Ratchaburi, the pipeline could not exist. The construction of the pipeline has negatively impacted the Burmese population and props up the Burmese military regime. Thousands of Burmese villagers were forced to work on the construction of both pipelines and their related infrastructure. Due to forced relocation, people lost their homes and were subjected to rape and torture or were killed by soldiers hired by the contracted companies as security guards for the pipeline. Burma is run by a military regime (the military junta seized power in 1962) which has been accused of gross human rights abuses, including the forcible relocation of civilians and the widespread use of forced labour, which includes children. In 2001, Earth Rights International stated that Citigroup's "Involvement in the Yadana or Ratchaburi project is not a case of so-called constructive engagement. It is support for one of the most violent regimes in the world today. To be involved in the Yadana pipeline is to accept brutal human rights violations as part of doing business. The pipeline is largest foreign investment in Burma and is likely to be the largest source of foreign exchange for decades to come." [Sources: Source: Kenny Bruno, Jim Vallette, "Halliburton's Destructive Engagement" Earth Rights International, September 2000, <http://www.earthrights.org/pubs/halliburton.shtml>; Kenny Bruno and Jim Valette, Cheney and Halliburton; Go Where the Oil Is", *Multinational Monitor*, Vol. 22, No. 5, May 2001; Ilyse Hogue, "The Cost of Living Richly: Citigroup's Global Finance and Threats to the Environment", *Multinational Monitor*, April 2002, Vol. 23, No. 4, <http://www.multinationalmonitor.org/mm2002/02april02corp1.html>; Earth Rights International Press Release, April 17, 2001, <http://www.earthrights.org/ifi/041701citi.shtml>]

• **Papua New Guinea: Gobe Oil Fields** – Citibank arranged a \$98.5 million loan that allowed Chevron and its partners to build Papua New Guinea's Gobe Oil Fields project during the late 1990s. The project drilled wells and built field production facilities and an eight kilometer pipeline through New Guinea's rainforest. The pipeline was built on unstable land increasing the chances for oil spills that could harm many species of birds and the thousands of plant species in the area. Oil began flowing in 1998. In July 2003, ChevronTexaco sold their assets in Papua New Guinea to Australian corporation Oil Search Ltd. Oil Search stated that they would cut the fields' operating and drilling costs, extend their life and continue an exploration and development program. Citigroup's financing of the original project opened the area to exploitation by timber companies who add to problems of soil erosion. [Sources: Ilyse Hogue, "The Cost of Living Richly: Citigroup's Global Finance and Threats to the Environment", *Multinational Monitor*, April 2002, Vol. 23, No. 4, <http://www.multinationalmonitor.org/mm2002/02april02corp1.html>; Reuters, "Oil Search buys ChevronTexaco PNG assets", July 21, 2003, http://biz.yahoo.com/rm/030720/energy_chevron_oilsearch_1.html]

5. Stakeholder Profile

Institutional holdings:

The following is a list of the 10 largest institutional investors in Halliburton

Institutions	Share Holdings	Change in Share Holdings*	Date Reported
STATE STR CORPORATION	255,034,193	12,049,225	3/31/03
FIDELITY MANAGEMENT & RESEARCH	220,008,906	22,098,738	3/31/03
BARCLAYS BANK PLC	210,975,853	1,103,321	3/31/03
AXA FINANCIAL, INC.	144,755,015	-11,422,088	3/31/03
WELLINGTON MANAGEMENT CO, LLP	115,269,562	-854,758	3/31/03
VANGUARD GROUP, INC.	90,521,081	2,228,933	3/31/03
PUTNAM INVESTMENT MGMT, L.L.C.	84,270,013	-2,297,670	3/31/03
MELLON BANK NA	73,911,790	1,585,548	3/31/03
JP MORGAN CHASE & CO	64,930,894	-4,955,321	3/31/03
DEUTSCHE BK AKTIENGESELLSCHAFT	56,306,128	-25,550,089	3/31/03

*Reflects the change in shares since the prior quarter's disclosure of holdings.

Shares are not adjusted for stock splits.

Source: Thomson Financial, Wall Street Journal

Quotations

- Senate Governmental Affairs Committee's Subcommittee Chairman Carl M. Levin (D-Mich.), commenting on Citigroup's involvement with Enron:** "Chase and Citicorp knew what Enron was doing, assisted in the deceptions, and profited from their actions", he continued to say that Enron's use of the prepays to disguise debt was "an accounting sham" and that the company had "the help and knowing assistance of some of the biggest financial institutions in our country.". [Source: Carrie Johnson, "Senate Panel Says 2 Banks Helped Enron Hide Loans J.P. Morgan, Citigroup Arranged 'Prepays'", Washington Post, Wednesday, July 24, 2002, <http://www.washingtonpost.com/ac2/wp-dyn/A53153-2002Jul23?language=printer>]

- Senator Susan Collins (R-Maine):** "J.P. Morgan Chase and Citigroup are two of the nation's most prestigious financial institutions. That's why I find their involvement so shocking. It appears as though they were willing to risk their reputation to keep an important client, Enron, happy." Carrie Johnson, "Senate Panel Says 2 Banks Helped Enron Hide Loans", Washington Post, July 24, 2002, <http://www.washingtonpost.com/ac2/wp-dyn/A53153-2002Jul23?language=printer>

- Charles O. Prince, Chairman and CEO of Citigroup's Global Corporate and Investment Bank, commenting on Citigroup's July 2003 settlements:** "We are pleased this settlement brings to a close the investigations of Citigroup undertaken by the SEC, OCC, Federal Reserve Bank of New York, and Manhattan District Attorney into these matters, and we appreciate their recognition of our continuing efforts to implement meaningful reforms in our structured finance business. There is no question that transparency in financial transactions and reporting is essential for investors and businesses and for the sound operation of our markets. We are pleased that we have been able to respond promptly and effectively to the problems that underlay this investigation. Put simply, the transactions addressed in these settlements would not happen now at Citigroup. Last August, to make sure that investors are readily able to understand the financial impact of transactions that Citigroup participates in, we announced a new "net effect" rule. Under that rule, Citigroup will execute so-called complex structured finance transactions only with clients that agree to disclose the transaction's net effect on the client's financial position. Since then, we have continued to develop and improve the way in which we review and approve

complex structured finance transactions. Our structured finance initiatives are part of the broader effort Citigroup has undertaken in the past year to be a best practice leader and to help restore the confidence of investors in our markets. We are committed to assuring compliance and continually scrutinizing our practices in order to adhere to the highest standards as our business evolves." [Source: Citigroup Press Release, "Citigroup Statement on Enron Settlements with the SEC, Federal Reserve, OCC, and Manhattan DA", July 28, 2003, <http://www.citigroup.com/citigroup/press/2003/030728a.htm>]

• **Al Giordano, Editor and Publisher of Narco News, an Internet news magazine (<http://www.narconews.com>), commenting on Citigroup's takeover of Banamex, money laundering and Robert Rubin, in an interview with Multinational Monitor:** "Keep in mind that Narco News was not the first source in the United States to accuse Banamex of money laundering. That was done by the U.S. Department of Treasury and other U.S. agencies in what was called Operation Casablanca, in which a sting operation was held against various bankers from various Mexican banks. Two executives from Banamex were charged in criminal court and the Federal Reserve Board seized \$3.8 million from Banamex as a corporation. The leader of that operation was then-Treasury Secretary Robert Rubin with the Clinton Administration. He was considered to be the hard-liner on this investigation. Secretary of State Madeleine Albright wrote a letter of protest to Rubin about not informing Mexican authorities of this operation. So this was all a big public issue before Narco News even touched it. Later, of course, Robert Rubin left Treasury to work for Citigroup. Aside from Sandy Weill, who is the CEO, Rubin is the most important person at the world's largest financial institution. So Rubin was prosecuting Banamex for drug money laundering in 1998, but by 2001 according to Citigroup's own SEC filings, he was negotiating the deal to buy the same bank." [Source: Multinational Monitor Interview with Al Giordano, "Citi: Suing for Silence", April 20, 2002, Vol. 23, No., 4, <http://multinationalmonitor.org/mm2002/o2april/april02interviewgijordano.html>]

• **Charles Prince, chairman and chief executive officer of Citigroup's Global Corporate and Investment bank, commenting on the Equator Principles:** "The adoption of the Equator Principles signifies a major step forward by the financial sector to establish a standardized, common framework to address the environmental and social issues that arise from development projects. We are extremely proud to be part of this voluntary, private-sector initiative and we are confident that we will see more and more banks active in project finance adopt these principles in the coming months." [Source: Citigroup Press Release,

• **Quote from a collective NGO analysis of the Equator Principles:** "A fatal flaw of the EPs is that there is no mechanism for ensuring that endorsing banks actually implement them. The lack of transparency requirements prevents endorsing institutions, peer banks and the public to monitor implementation of the Principles." [Source: Rainforest Action Network, Current News, "Collective NGO Analysis of the Equator Principles", http://www.ran.org/news/equator_ngo.html]

• **Luis Rodríguez Villasuso, Citigroup's Business Manager of Global Retirement Services for Latin America, commenting on Citigroup's acquisition of an Argentinean Retirement Services Company:** "The decision to purchase the remaining equity of Siembra is consistent with Citigroup's strategy to increase its participation in emerging markets pension fund privatization and build its retirement services business". [Source: Citigroup Press Release, "Citigroup to Acquire Grupo Argentaria's Stake in Siembra", February 23, 2000, <http://www.citigroup.com/citigroup/press/2000/000223c.htm>]

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1. Organizational Profile

Citigroup is the second-largest financial services firm in the world (behind Japanese firm Mizuho Financial), the largest credit card issuer, one of the main providers of online services and the first US bank with \$1 trillion in assets. The bank was born out of a 1998 merger between Citibank and Traveler's Group. A merger that was only legalized after US laws prohibiting combinations between banks and insurance companies were rolled back.

Citigroup finances different corporations involved in the privatization of different services on a global scale while some of its members are involved in the privatization of financial services in and outside of the United States. Citigroup has an agenda of deregulating financial services on a worldwide scale. Through its numerous [connections](#) with major trade coalitions in the United States, Citigroup has many avenues of influence over the US government's negotiating position in the World Trade Organization's General Agreement on Trade in Services (GATS).

Citigroup offers banking (mainly through Citibank), asset management, insurance and investment banking in more than 5,600 locations (2,600 in the United States alone) in some 100 countries around the world. The company employs 255,000 people worldwide. Some of Citigroup's numerous subsidiaries include the investment bank and brokerage Citigroup Global markets (formerly Salomon Smith and Barney), Travelers Life and Annuity, consumer lender CitiFinancial, and Primerica Financial Services. Internationally, Citigroup owns stakes in banks in several countries including Mexico's Grupo Financiero Banamex (Mexico's former national bank) and South Shinhan Bank. According to Citigroup's website the company is an "economic enterprise with a relentless focus on growth, aiming to increase earnings by double digits on average"

[Sources: Antonia Juhaz, "Servicing Citi's Interests, GATS and the bid to Remove Barriers to Financial Firm globalization", Multinational Monitor, April 2002, Vol. 23, No. 4, <http://multinationalmonitor.org/mm2002/02april/april02corp3.html>; Citigroup Press Release, "Citigroup to Acquire Grupo Argentaria's Stake in Siembra", February 23, 2000, <http://www.citigroup.com/citigroup/press/2000/000223c.htm>]

Due to its immense size and scope, Citigroup organizes its main divisions into five groups:

- **Citigroup Global Consumer Group** – The businesses included in this group offer banking services (primarily with Citibank), credit cards, loans and insurance and technology for the

financial industry. Citigroup Global Consumer Group is made up of the following Citigroup subsidiaries: Citibanking; Cards; CitiCapital (provides truck, construction, material handling, healthcare, office equipment finance and franchise and municipal finance); Citifinancial (consumer finance and community based-lending services in North America, Europe and Japan); and Primerica Financial Services.

- **Global Corporate Investment Bank** – Provides financial services for corporations, governments, institutional and Individual Investors. Global Corporate Investment Group is made up of the following Citigroup subsidiaries: Global Equities (provides equity capabilities for corporate, institutional and retail investors); Global Fixed Income; Global Investment Banking and Global Relationship Banking (provides financial advisory services to corporations, financial institutions and governments); Global Securities Services (offers cross border transaction services); Citigroup Cash, Trade and Treasury Services (offers cash management, treasury, trade finance and e-commerce solutions to corporations, financial institutions, intermediaries and governments).

- **Smith Barney** – Smith Barney is Citigroup's global private wealth management and equity research unit. It provides financial planning and advisory services to investors, institutions, corporations, private businesses and governments worldwide

- **Citigroup Global Investment Management** – Provides global investment management to wealthy individuals, investors and large institutions. Citigroup Global Investment Management is made up of the following Citigroup subsidiaries: The Citigroup Private Investment Bank (Personalized wealth management for affluent clients); Citigroup Asset Management; Global Retirement Services; Travelers Life and Annuity; Citigroup Alternative Investment.

- **Citigroup International** – Provides banking services through the Citibank label to over 100 countries worldwide including a large presence in the South where, in many cases, adequate regulatory structures to handle the power and marketing of large financial corporations do not exist. Citigroup International is one of the largest providers of credit cards and automatic teller machines to countries in the South. The company also provides treasury, foreign exchange and financial advisory services to large corporations and governments.

[Source: Citigroup Website, <http://www.citigroup.com/citigroup/about/index.htm>; for a family tree of Citigroup's ancestor companies visit, <http://www.citigroup.com/citigroup/corporate/history/data/tree85x11.pdf>]

Head Office

399 Park Ave.
New York, NY,
10043
United States
Telephone: (212) 559-1000
Fax: (212) 793-3946

<http://www.citigroup.com>

Executive Salaries for 2002

Executives	Salary	Total compensation including options
Sanford Weill – CEO and Chair of the Board	\$1,000,000	\$22,328,134 (Weill announced that he did not deserve a bonus in 2002 due to his performance) [source: hoovers]
Robert Rubin – Chair of the Executive Committee, Director	\$1,000,000	\$19,208,454
Victor Menezes – Senior Vice Chair	n.a.	n.a.
Michael Masin – Vice Chair, COO	n.a.	n.a.
Deryck Maughan – CEO and Chair of the Board Citigroup Intl.	\$825,000	\$17,007,498
Robert Willumstad – CEO and CEO of Global Consumer Group	\$512,500	\$11,240,698
Thomas Jones – CEO and chair, Global Investment Management and Citigroup Asset Management	n.a.	n.a.
George Kokulis – CEO, Chair and President, Travelers Life and Annuity	n.a.	n.a.
Sallie Krawcheck – CEO, Chair, Smith Barney	n.a.	n.a.
Charles Prince – CEO and Chair, Global Corporate and Investment Bank	\$500,000	\$8,349,320
Toshiharu Kojima – CEO and Chair, Nikko Salomon Smith and Barney	n.a.	n.a.
William Rhodes – Senior Vice Chair, Senior Intl. Officer	n.a.	n.a.

[Sources: Hoover's Company Profile Database; Wall Street Journal]

2. Economic Profile

Stock Symbol – C (on the NYSE)

Financial Data	2002	2001	%Change
Revenue	\$58,939m	\$64,484m	-9.4%
Net Income	\$13,539m	\$13,316m	1.6%
Long Term Debt	\$126,927m	\$121,631m	4.1%
Earnings per Share	\$2.94	\$2.72	n/a

For the Quarter ended March 3, 2003		
Financial Data	Dec. 2002	Change
Revenue	\$14,345m	up 1.6% from prev. year
Net Income	\$4,141m	\$640 million higher than in March

[Source: Wall Street Journal]

Key Transactions of the Past Few Months for Citigroup – These transactions provide a sense of the scope and diversity of Citigroup's operations

- **July 2003** – Citigroup CEO Sanford I. Weill announced that Charles O. Prince will become Citigroup's Chief Executive Officer and Robert B. Willumstad, 57, President, will become Chief Operating Officer by January 1, 2004. As well, both executives were elected to the Citigroup board of directors. Weill will keep his position as Chair of the Board until 2006. [Source: Citigroup Press Release, "Citigroup Announces New Senior Leadership Team", July 16, 2003, <http://www.citigroup.com/citigroup/press/2003/030716a.htm>]
- **July 2003** – Citigroup acquired Sears' credit card business for \$3 billion to become the largest private label credit card provider in the United States. [Source: Citigroup Press Release, "Citigroup to Acquire Sears Credit Card Business", <http://www.citigroup.com/citigroup/press/2003/030715a.htm>]
- **July 2003** – Citigroup settles Enron related investigations with the Securities and Exchange Commission, the Office of the Comptroller of the Currency, the Federal Reserve Bank of New York, and the New York County District Attorney's Office for over \$140 million. [Source: Robert Julavits, "Chase, Citi Style differences Reflected in Enron Settlements", The American Banker, July 29, 2003]
- **July 2003** – Citigroup closed a debt finance deal worth ZAR 270 million in order to expand South African company LignoTech's lignosulphate plant in Umkomaas, KwaZulu-Natal. The deal will finance the entire debt portion of a recently completed plant expansion. [Source: Citigroup Press Release, "Citigroup Finances LignoTech Plant Expansion," July, 2003, <http://www.citigroup.com/citigroup/press/2003/030704a.htm>]
- **June 2003** – Again in South Africa, Citigroup announced the completion of \$530 million multi-faceted project financing for mobile network operator Cell C (Pty) Ltd, the largest telecom deal in Sub-Saharan Africa in 2003. [Source: Citigroup Press Release, "Citigroup Arranges \$530 million Financing Package for Black Empowerment Project in Telecom Industry", June, 2003, <http://www.citigroup.com/citigroup/press/2003/030623a.htm>]
- **June 2003** – Citigroup and the International Finance Corporation (IFC), the private sector arm of the World Bank, signed a \$70 million trade enhancement facility designed to provide financing for private sector importers of capital goods and raw materials in Jordan and Lebanon. The trade enhancement facility includes four banks: Cairo Amman Bank and Finance Bank in Jordan and Bank of Beirut and the Arab Countries and Banque Libano-Francaise in Lebanon. [Source: Citigroup Press Release, "IFC and Citigroup Establish \$70 million Trade Facility in Jordan and Lebanon", June 2003, <http://www.citigroup.com/citigroup/press/2003/030617a.htm>]
- **May 2003** – Citibank, a member of Citigroup, launched a co-brand credit card with notorious oil company Shell's operations in Hungary. [Source: Citigroup press release, "Citibank and Shell Launch Co-brand Credit Card", May 2003, "Citibank and Shell Launch Co-brand Credit Card", May, 2003, <http://www.citigroup.com/citigroup/press/2003/030529a.htm>]
- **February 2003** – It was announced that Citigroup's private label credit card division, Citi Commerce Solutions, signed a multi-year agreement with US energy corporations to provide a private label credit card program for the Conoco, Phillips 66 and Union 76 gasoline credit cards.

[Source: Citigroup Press Release, "Citibank Is Awarded Long-Term Private Label Agreement With ConocoPhillips", February 2003, <http://www.citigroup.com/citigroup/press/2003/030224a.htm>]

- **December 2002** – Citigroup announced that it would take a charge of \$1.5 billion against its fourth-quarter earnings in order to quantify its potential damages from a settlement with securities regulators. The investigation by securities regulators stems from Citigroup's involvement with the Enron scandal (see [below](#)). [Source: Associated Press, "Citigroup Takes \$1.5B Charge", December 23, 2002, <http://www.cbsnews.com/stories/2003/01/04/national/main535269.shtml>]

Selected major infrastructure financing transactions done through Citigroup, including infrastructure privatizations:

- **May 2003** – Citigroup expanded their operations to Ghana. The opening event was attended by local business people and dignitaries including the governor of Ghana's Central Bank. A trade delegation from the US state of New Jersey also attended the event. [Source: Citigroup press release, "Citigroup Expands its Operations to Ghana", May, 2003, <http://www.citigroup.com/citigroup/press/2003/030514a.htm>]

- **May 2003** – Citi Islamic Investment Bank, Bahrain, a member of Citigroup, together with Islamic Development Bank and Pakistan's United Bank Ltd., acted as a joint arranger for a \$150 million, 3-year Islamic Lease Finance Facility for Pakistan International Airlines. Proceeds will go towards the purchase of three new aircraft for the airline. [Source: Citigroup Press Release, "Citi Islamic Investment Bank: Arranging \$150 million Islamic Lease Facility for Pakistan International Airlines", May, 2003, <http://www.citigroup.com/citigroup/press/2003/030504a.htm>]

- **May 2003** – Citibank, in partnership with Yayasan HOPE (part of the faith based charity group HOPE Worldwide <http://www.hopeww.org/>), launched a funding program aimed at providing support for high school teachers in Jakarta, Tangerang and Bekasi. The program is designed to develop and implement educational activities for students. [Source: Citigroup Press Release, "Citibank Peka Launches CitiSuccess Fund Program for High School Teachers in Tangerang and Bekasi", May 2003, <http://www.citigroup.com/citigroup/press/2003/030501a.htm>]

- **March 2003** – CitiStreet, a member of Citigroup and one of the world's largest providers of private benefit and retirement services, was selected to be the third-party administer for the US State of Hawaii's deferred compensation plan for state and county workers. CitiStreet manages approximately \$200 billion in the United States for defined contributions, defined benefit, health and welfare plans for corporations and governments. Other US states, including Arkansas and Ohio have hired CitiStreet to manage their public employees' retirement and benefits plans. CitiStreet also has a division in Australia, CitiStreet Australia. For information on the Bush government's push to privatize social services in the United States visit: <http://www.csss.gov/> (President's Commission to Strengthen Social Security website) [Source: Citigroup Press Release, "Hawaii Selects CitiStreet for its Deferred Compensation Plan", March 2003, <http://www.citigroup.com/citigroup/press/2003/030327a.htm>]

- **January 2003** – Citibank received approval from the Chinese Government to offer internet banking services in People's Republic of China. The approval allows Citibank to offer internet services to domestic and international companies, as well as the general population. [Source: Citigroup Press Release, "First Foreign Bank in China to Offer Web-based Banking Services for Both Corporate and Consumer Clients" January 2003, <http://www.citigroup.com/citigroup/press/2003/030127a.htm>]

- **June 2002** – The State of South Carolina selected Citigroup member CitiStreet to provide record-keeping and administrative services for all state and local government employees participating in 457 and 401(k) retirement plans. The corporation is also providing education resources and customer services for participants. [Source: CitiStreet Press Release, "South Carolina Selects CitiStreet for Deferred Compensation Plans", June 27, 2002, http://www.citistreetonline.com/com/com_sub_index.asp?lvl=4-3-0-0]
- **August 2001** – Citigroup acquires Mexico's former national bank and the country's largest commercial bank, Grupo Financiero Banamex-Accival, for \$12.5 billion. The new bank operates under the name Banamex. At the time, the acquisition was the largest financial services transaction in the South and was the biggest corporate deal in Mexico's history. The deal was met with popular resistance in Mexico due to discontent over the increase in foreign ownership of Mexican companies and the fact that Mexicans had recently helped, through higher taxes, pull Banamex from the brink during the peso crisis only to have the bank sold to an American company. Citigroup's acquisition of Banamex put Citigroup in control of one of the largest Money Laundering institutions in Mexico. In 1999 then US Treasury Secretary Robert Rubin (presently employed by Citigroup as Chair of the Executive) led an operation against Mexican money laundering that targeted, among others, Banamex. By 2001, Rubin was negotiating the deal to buy the same bank he had investigated for money laundering. [Sources: Citigroup Press Release, "Citigroup Successfully Completes Acquisition of Grupo Financiero Banamex-Accival", August 6, 2001, <http://www.citigroup.com/citigroup/press/2001/010806a.htm>; Robin Emmott, "Banamex Steps Up Security", Financial Times, August 10, 2001; Rainforest Action Network Press Release, "Citigroup Becomes Mexico's Largest Bank After Banamex Merger" August 10, 2001, <http://www.ran.org/news/newsitem.php?id=411>]

3. Political Profile

Government and big business associations: Citigroup has numerous connections with powerful trade liberalization organizations. Membership gives Citigroup incredible influence over US government negotiating positions on the World Trade Organization's General Agreement on Trade and Services (GATS).

- **USA-Engage** <http://www.usaengage.org> – Citigroup is a member of USA-Engage, a broad-based organization representing individuals and corporations who view the US' unilateral economic sanctions imposed on various countries as damaging to the US economy. USA-Engage directly targets US sanctions restricting US companies from investing. USA-Engage does not distinguish between the nature of government sanctions and how they may negatively impact local populations. They view sanctions strictly as barriers to profit for US corporations. USA-Engage is supported by powerful lobby groups, including The Wexler Group, who have successfully combated new sanctions efforts in the White House and Congress.

- **US Coalition of Service Industries (USCSI)** www.uscsi.org – Citigroup is a member of the key group pushing services privatization and liberalization through the General Agreement on Trade in Services (GATS) at the World Trade Organization (WTO) and the Free Trade Agreement of the Americas service negotiations.

- Citigroup is on the Board of the **National Foreign Trade Council** www.nftc.org, which advocates for the international and public policy priorities of its business members.

- Citigroup is member of the **US Council for International Business** www.uscib.org, which is an advocate for US corporations with the goal of influencing "laws, rules and policies that may undermine U.S. competitiveness, wherever they may be". The USCIB is the U.S. wing of the International Chamber of Commerce, and was the key corporate lobby group in the push for the failed Multinational Agreement of Investment (MAI). They are also heavily involved in the current pro-liberalization lobby regarding negotiations on the Free Trade Area of the Americas and the World Trade Organization.

- **Citigroup has a seat at the US Department of Commerce Industry Sector Advisory Committee (ISAC)** – ISAC members, made up of executives from large corporations, provide advice and information for the US administration on issues that affect US industry. Citigroup's involvement in the ISACs gives them incredible power in the process of influencing the position of the US administration towards the energy sector. [Source: Antonia Juhaz, "Servicing Citi's Interests, GATS and the bid to Remove Barriers to Financial Firm globalization", *Multinational Monitor*, April 2002, Vol. 23, No. 4, <http://multinationalmonitor.org/mm2002/02april/april02corp3.html>]

Past and Present Links to the Government of the United States and International Financial Institutions – The 'Revolving Door'

- **Robert Rubin, Chair of Citigroup's Executive Committee, Director – Former United States Treasury Secretary Under President Clinton:** Robert Rubin left his post in the Clinton administration in 1999 for his new job at Citigroup. In November 2001, when it became clear that Enron would declare bankruptcy, Rubin called Undersecretary for Domestic Finance Peter Fisher to ask if he was going to contact bond-rating agencies to question their plans to downgrade Enron's credit rating. Rubin attempted to use his connections to influence the US government to try to keep Enron from collapsing. He was trying to protect Citigroup because the bank had loaned Enron \$800 million, and a downgrade in Enron's credit rating would mean that Enron bonds would be seen as risky. As a result, people would be less likely to invest, and Enron would have been more likely to collapse, leaving Citigroup on the lurch (which eventually did happen). While the official declined to help, Rubin's actions became part of Senate investigations into the former Treasury Secretary's dealings with Enron. In January 2003 the investigation declared that Rubin had not broken any laws or regulations. Nevertheless, this incident is a clear example of the intimate connections between the US government and corporate America. [Sources: Sarah Laitner, "Senate clears Rubin on Enron", *Financial Times*, January 4, 2003; David Lazarus, "Enron's Lay courted Rubin -- but didn't get to first base", *San Francisco Chronicle*, February 22, 2002]

- **Haley Barbour, Citigroup Lobbyist** – Barbour, a former chairman of the Republican National Committee, now counts Citigroup as one of his lobby firms many high profile clients. He is also running for the governorship of Mississippi. [Source: Arianna Huffington, "Ask Not What Your Country Can Do for You, Ask ... How Much Exactly?", *L.A. Times*, March 26, 2003, <http://www.latimes.com/la-oe-huff26mar26.htmlstory>]

- **Stanley Fischer, President of Citigroup International** – Fischer joined Citigroup in 2002. From 1994 to 2001, Fischer was the First Deputy Managing Director of the International Monetary Fund. He worked as a Chief Economist at the World Bank from 1988 to 1990. Fischer has also held consulting appointments with the US State Department and the US Treasury. Fischer is now

being considered for the presidency of the New York Federal Reserve Bank. [Source: Biography posted at <http://www.iie.com/fischer/bio.html>]

- **Richard Small, Citigroup's global anti-laundering director** – Small formerly served as the Associate Director at the Federal Reserve Board, provided counsel to senior Treasury Department personnel and was a Federal prosecutor with the U.S. Department of Justice. Small now works for the corporation that he used to regulate. [Source: Biography posted at: http://www.aba.com/Conferences+and+Education/ce_money_laundering_faculty.htm]

- **Bill Richardson, Consultant for Salomon Smith Barney's (member of Citigroup) Global Energy and Power Group** – Richardson served as Energy Secretary from 1998 to 2001 under US President Bill Clinton. Prior to his tenure in the Energy Department, Richardson was US Ambassador to the United Nations. His political career includes eight terms in the US congress representing the state of New Mexico. Richardson was hired by Citigroup in 2001. Bill Richardson became Governor of the State of New Mexico on January 1, 2003. [Source: Richard Benedetto, "Energy secretary for Clinton to take helm", USA Today, November 7, 2002, http://www.usatoday.com/news/politicselections/2002-11-06-richardson_x.htm; Citigroup Press Release, "Former Energy Secretary Bill Richardson Becomes Consultant for Salomon Smith Barney's Global Energy and Power Group", July 24, 2001, <http://www.citigroupssb.com/data/documents/press07-24-01.html>]

- **Marshall Froman, President of Citilnsurance International Holdings Inc., a member of Citigroup** – Froman served as Chief of Staff of the US Department of the Treasury from 1977 to 1999. He was Robert Rubin's advisor on many important issues chief of staff. From 1993 to 1995, Froman was director for international Economic Affairs on the National Economic Council and the National Security Council at the White House. [Source: United States Institute for Peace website, <http://www.usip.org/events/pre2002/lansdowne-bios.html>]

Corporate Welfare

Citigroup is one of the leading recipients of loans from the US Overseas Private Investment Corporation (OPIC), from whom they rely on for support in countries including Argentina, Brazil and Jamaica. <http://www.multinationalmonitor.org/mm2002/02april/april02/editorial.html>

Political Contributions

- **1989 - 2002** – Since the 1990 election cycle (election cycles last two years), Citigroup Inc. has donated \$15,314,545 to political parties in the United States as reported by the Federal Election Commission. This places Citigroup among the top twenty donors to political parties in the United States. Fifty three percent of this total went to the Republican party and 43% to the Democratic party. Contributions from Citigroup come from individuals giving \$200 or more, from Political Action Committees (a political committee organized for the purpose of raising and spending money to elect and defeat candidates, most PACs represent business, labor or ideological interests), and soft money.

- **2002** – In the 2002 election cycle Citigroup made \$1,593,660 in soft money contributions with 39% going to the Democrats and 61% to the Republicans. Citigroup's two PACs contributed \$92,000 (39% to Democrats, 60% to Republicans) and \$463,000 (45% to Democrats, 55% to Republicans) to federal and state candidates during the 2002 election cycle.

- **2000** – In the 2000 election cycle Citigroup made \$1,556,510 in soft money contributions with 48% going to the Democrats and 52% to the Republicans. Citigroup's two PACs contributed \$41,500 (70% to Democrats, 30% to Republicans) and \$517,500 (49% Democrats, 51%

Republicans) to federal and state candidates during the 2000 election cycle. During this cycle, Citigroup donated \$116,200 to George W. Bush and \$114,500 to Al Gore.

[Sources: Center for Responsive Politics; <http://www.opensecrets.org>;
<http://www.opensecrets.org/orgs/summary.asp?ID=D000000071&Name=Citigroup+Inc>]

4. Social Profile

• **Citigroup, the IMF and Brazil** – In August 2002 the International Monetary Fund offered Brazil a \$30 billion loan in order to avoid a potential default on its debt. Much of this debt was to big banks, including Citigroup who has \$9.7 billion in assets in Brazil. After the IMF loan was announced, Citigroup's stock value rose because investors knew that a potential debt default had been averted and that the IMF money would flow back to Citigroup as payback on their investments. The reality for the Brazilian population is that by accepting new loans, the country was forced to follow an austerity program that requires the privatization of social programs in order to cut costs and save money in order to pay back the IMF loan. Brazilians will be living under severe austerity in order to pay back big corporations like Citigroup and JP Morgan - the poor paying with the erosion of their public services and their already weak social programs in order to ensure that the investments of billion dollar companies will not be hurt. [Source: Darren Puscas, "Enron Style Corporate Crime and Privatization: A look at the U.S. Coalition of Service Industries", Polaris Institute]

• **Citigroup and money laundering** – In a 2001 article published in the Mexican Daily, La Jornada, James Petras noted that Citibank is the biggest of all US banks and is the biggest money launderer. He estimates that during the 1990s, between \$2.5 and \$5 trillion in dirty money laundered by US banks and was in circulation. Petras states that "without the 'dirty money' the U.S. economy's external accounts would be totally unsustainable, living standards would plummet, the dollar would weaken, the available investment and loan capital would shrink and Washington would not be able to sustain its global empire."

Citigroup has come under investigation for its suspected money laundering. In one case, Citibank helped Raul Salinas (embattled brother of former Mexican president) transfer \$90 to \$100 million out of Mexico in a way that disguised the destination and source of the funds thus breaking the funds' paper trail. Citibank then set up an offshore corporation, provided Salinas with a secret code name, provided an alias for a third party intermediary who deposited the money in a Citibank account in Mexico and transferred the money to New York where it was moved to Switzerland and London. After Salinas was arrested and his theft of government funds was exposed, his Citibank manager stated that "this goes in the very, very top of the corporation, this was known...on the very top. We are little pawns in this whole thing."

Citibank has also been the subject of congressional investigations for providing services (moving \$380 million) for political swindlers in Pakistan, Gabon and Nigeria. Petras notes that in each case Citibank violated all of its own procedures along with government guidelines. In 2001 the Senate Permanent Subcommittee on Investigations required Citibank to explain documented falsehoods, mercenary conduct and lying to banking regulators. Citibank was accused of giving false statements to Argentine regulators and for failing for two years to close an offshore Cayman Islands bank whose funds had been seized by US authorities for money laundering and despite indications that the money had come from drug dealers in Mexico.

In 1998 US department of Treasury money laundering investigation, Operation Casablanca, revealed that \$7.8 million in drug money from Mexico's Juarez drug cartel had been wired through a Citibank account held by Argentina's Mercado Abierto Group.

[Sources: Jamie Dettmer, "Must U.S. Banks Be Kept in Check?" Insight on the News, March 17, 2003, <http://www.insightmag.com/main.cfm/include/detail/storyid/370712.html>; Tim Golden, "Citibank Criticized for Slow Response to Money Laundering Scheme", New York Times February 27, 2001, <http://www.globalpolicy.org/nations/corrupt/laundering/2001/0227cb.htm>; James Petras, 'Dirty Money': Foundation of US Growth and Empire", La Jornada, May 19, 2001, <http://www.narconews.com/petras1.html>]

• **Citigroup and predatory lending** – In 2001, the United States Federal Trade Commission (FTC) filed a lawsuit against Citigroup and two of its subsidiaries, CitiFinancial Credit Company and Associates First Capital. The companies were charged with widespread abusive lending practices and violations of the Truth in Lending Act and the Equal Credit Opportunity Act. Citigroup acquired Associates First Capital Corporation in 2000, which then merged with Citigroup subsidiary CitiFinancial Credit. Multinational Monitor commented in 2002 that "Citigroup became the nation's largest predatory lender when it acquired Associates First Capital Corporation."

In 2000 Associates First Capital was one of the largest "subprime" lenders in the United States. Subprime borrowers with bad credit history are considered high risk. Predatory lenders take advantage of this vulnerability by charging higher interest rates, attaching add-ons like credit insurance and leading them into unaffordable repayment plans.

The Director of the FTC's Bureau of Consumer Protection stated that Citigroup engaged in a number of deceptive practices including, hiding essential information from consumers, misrepresenting loan terms, flipping loans (the practice by financial institutions of refinancing transactions and then charging a new round of fees) and pacing optional fees in order to raise the costs of loans. The Director stated that "what made the alleged practices more egregious is that they primarily victimized consumers who were the most vulnerable - hard-working homeowners who had to borrow to meet emergency needs and often had no other access to capital."

The FTC claims that the Associates charged its customers higher prices than those available to borrowers in the prime market. According to the FTC, the Associates charged as many as eight points (one point equals one percent of the amount charged) on mortgage loans in addition to inflated fees.

Once the Associates had enticed customers through aggressive schemes (including the mailing of 'live checks' which when endorsed triggered a high interest loan), they would be aggressively solicited to take out new loans and to refinance debts by flipping them into a single debt consolidation loan. The FTC charges that Associated customers were duped by false statements that flipping loans would lower monthly payments.

Citigroup responded to the allegations suggesting that all of the questionable practices had occurred prior to their acquisition of Associates First Capital. They called for all charges to be dropped against Citigroup and CitiFinancial. In response to Citigroup, the FTC produced affidavits from a former Citigroup employees who charged that CitiFinancial had engaged in unethical lending prior to the merger. The court refused to sever Citigroup and its subsidiaries from the lawsuit.

In other cases involving Citigroup's lending practices, the company in 2000 had to paid \$20 million to North Carolina customers of Associates and \$300 000 to the state in order to settle allegations that customers had been duped into buying unnecessary credit insurance as part of their mortgage loans.

In September 2002, Citigroup settled with the FTC for \$215 million over predatory lending. The fund was to be distributed among the victims of Citigroup's predatory lending practices.

[Sources: Michael Hudson, "Banking on Poverty", Mother Jones, July/August, 2003, http://www.motherjones.com/news/outfront/2003/28/ma_453_01.html; Jake Lewis, "Predatory Associates: Citigroup, Predatory Lending and the Credit Crunch for the Poor and Working Class", Multinational Monitor, April 2002, Vol. 23, No 4, <http://www.multinationalmonitor.org/mm2002/02april/april02corp2.html>; Ralph Nader, "Predatory Lending", Published on <http://www.commondreams.org/views02/1122-02.htm> November 22, 2002]

• **Citigroup and Enron** – In December 2002 a US Senate Sub-Committee investigation was launched to examine Citigroup's involvement with disgraced energy company [Enron](#). In December 2002 investigators examined a number of undisclosed deals between Citigroup and Enron that raise questions about whether Citigroup ignored its own internal guidelines and went around accounting requirements in order to satisfy an important client. The investigations took their toll on Citigroup's stock price in 2002, and by July 2002 it had tumbled by 38 percent.

Investigators focused on two deals between Citigroup and Enron. According to a report released by Neal Batson, the court appointed examiner in Enron Corp's bankruptcy, Citigroup along with other banks helped Enron violate generally accepted accounting principles (GAAP) and that Citigroup knew that Enron was misrepresenting deals in its own annual reports. The report accuses Citigroup bankers of failing to follow basic financial practices. In one case, two off-balance-sheet deals were designed to hide some of Enron's missing revenues after a joint-venture partner walked away from its pulp and paper business. The two deals, completed by Citigroup and Morgan Stanley on successive days at the end of 2000, were, according to the report "short-term interim financings done solely to allow Enron to record \$112 million of income from a purported sale that never truly took place," and to "record cash flow...that was actually from a financing." Batson reported that the most lucrative bank related financings were a series of deals known as prepays, or complex commodity contracts where banks provided Enron with financing that did not have to be classified as loans and therefore disguised Enron's actual debt. Between 1992 and 2001 these deals brought Enron a total of \$8.6 billion in revenues and created a cash flow that inaccurately portrayed the company's ability to generate earnings from actual operations. Business week reports that prepays structured by Citigroup and Morgan provided 100% of Enron's cash flow in 1999 and 32% of its 2000 cash flow. Citigroup was responsible for prepays which brought in \$2.3 billion in revenues for Enron from December, 1999, to May, 2001.

Along with the Congressional investigation, Citigroup's role in propping up Enron brought about a class action lawsuit and a United States Securities and Exchange Commission investigation. One class action lawsuit filed against Citigroup, alleged that the bank and its senior executives misled shareholders about a 1999 transaction with Enron. The suit refers to a transaction structured as a commodity trade that it claims was a disguised loan devised to keep \$125 million of debt off of Enron's balance sheet.

In late 2002 Citigroup set aside \$1.5 billion in order to deal with the hefty payouts resulting from settlements with the New York State Attorney General and the Securities and Exchange Commissions.

Citigroup's involvement with Enron and WorldCom has led some analysts to put the bank's legal and regulatory liability at \$10 billion. Due to their ties to the two scandals, Citigroup's stock was downgraded by 10 percent in September 2002 by one analyst.

Note – On July 28, 2003, Citigroup settled with the Security and Exchange Commission (SEC), the Office of the Comptroller of the Currency, the Federal Reserve Bank of New York, and the New York County District Attorney's Office. The settlements resolve, on a civil basis, investigations by these groups into Citigroup's loans (or, according to Citigroup, 'structured financing') to Enron. Under the terms of the SEC agreement, Citigroup will pay a total of \$120 million in disgorgement, penalties and interest to the SEC, \$101.25 million of which is related to

Enron. Citigroup will pay \$12.5 million to New York State and \$12.5 million to New York City along with \$500,000 for the costs of the New York District Attorney's investigation. The SEC also Ordered Citigroup to "cease and desist" from causing or committing any violation of federal antifraud provisions. The settlements amount to a slap on the wrist for the multi-billion dollar corporation.

[Sources: Citigroup Press Release, "Citigroup Statement on Enron Settlements with the SEC, Federal Reserve, OCC, and Manhattan DA", July 28, 2003, <http://www.citigroup.com/citigroup/press/2003/030728a.htm>; Riva D. Atlas, "Citigroup Is Pelted on Potential Losses and Liabilities", New York Times, September, 2002; Robert Julavits, "Chase, Citi Style differences Reflected in Enron Settlements", The American Banker, July 29, 2003; Carrie Johnson, "Senate Panel Says 2 Banks Helped Enron Hide Loans", Washington Post, July 24, 2002, <http://www.washingtonpost.com/ac2/wp-dyn/A53153-2002Jul23?language=printer>; David Teather, "Citigroup Executives Named in Enron-Linked Class Action", Guardian Unlimited, August 7, 2002, <http://www.guardian.co.uk/enron/story/0,11337,770277,00.html>; Heather Timmons, Emily Thornton, "Enron Nightmare Just Got Worse", Business Week, March 24, 2003, http://www.businessweek.com/magazine/content/03_12/b3825061_mz020.htm; for information on the SEC's civil action against Citigroup visit <http://www.sec.gov/litigation/complaints/comp18111.htm>]

- **Citigroup and WorldCom** – WorldCom was a top client at Citigroup before the telecommunications corporation declared bankruptcy in 2002. Since then there have been a number of investigations into WorldCom's actions as well as into the actions of the company's banks. One investigation, stemming from a class-action lawsuit in the State of New York, uncovered a January 2001 filing with the Tennessee Secretary of State by a company controlled by Bernard Ebbers (WorldCom founder and Chairman), Joshua Timberlands. Timberlands was set up by Ebbers in September 1999 to buy 460,000 acres of forest in the United States. The document shows Citigroup unit, Travelers Insurance as an equity owner alongside Ebbers. Units of Travelers lent Ebbers \$134 million for the deal. This is only a small portion of the \$1 billion bankruptcy court examiner Dick Thornburgh says Ebbers borrowed against WorldCom shares from Citigroup and Bank of America.

Aside from the land purchase, investigators say that Citigroup loans helped finance Ebbers' ranch in British Columbia and two luxury yachts. The lawsuit filed in New York alleges Citigroup exposed itself to conflict because its loans to Ebbers' private companies gave it an incentive to highly rate the value of WorldCom stock.

Close ties between executives at Citigroup unit Salomon, Smith and Barney and WorldCom led to a House Financial Services Committee investigation. An email from a former top analyst at Salomon suggests that the firm was cutting WorldCom stock from their recommended list while continuing to rate it highly. The analyst did not downgrade WorldCom until June 2002, the day before the company announced that it had improperly accounted for \$3.8 billion in expenses.

[Sources: Riva D. Atlas, "Citigroup Is Pelted on Potential Losses and Liabilities", New York Times, September 4, 2002; Gretchen Morgenson, "More Clouds Over Citigroup in its Dealings With Ebbers", New York times, November 3, 2002; Financial Times, December 20, 2002, Comment and Analysis]

Problem Contracts

Many of Citigroup's problem contracts are related to the financing of projects that have negative social and environmental impacts. Citigroup has been the target of well organized and sustained

campaigns to bring to light and resist the bank's record of funding environmentally and socially destructive projects.

In the Spring of 2003, Under pressure from these high profile campaigns, Citigroup, along with 9 other large financial institutions adopted a set of environmental and social guidelines for project financing. Known as the "Equator Principles" (<http://www.equator-principles.com/>), the guidelines are based on the policies of the International Finance Corporation (IFC), the private sector lending arm of the World Bank Group.

The Guardian (London) reported that signatories refused to give any indication of the types of projects for which they might refuse financing in the future. A collective of environmental Non-Governmental Organizations in reaction to the Equator Principles stated that "whether or not the Equator Principles (EPs) represent a significant initiative or a negligible one depends on banks' commitment to strengthen them and be transparent in their implementation of the Principles." While the EPs are modeled on guidelines from the IFC, that organization itself has a poor record of implementing its own safeguard policies. Projects, like the OCP project in Ecuador outlined below, that do not meet IFC standards are financed anyway. The EPs also lack a accountability mechanisms for ensuring that endorsing banks are actually complying. The EPs have also been criticized for their lack of emphasis on social issues. For example, an early version of the EPs referenced "human rights", but was replaced with "socially responsible" in a later one.

While Citigroup may sound like a contrite reformer with their endorsement of the EPs, many loopholes remain for the financing of socially and environmentally harmful projects. In addition, the EPs do nothing to prevent the expansion and development of devastating projects originally financed by Citigroup (see New Guinea below).

[Sources: Citigroup Press Release, "A New Industry Framework for Environmental and Social Standards in Global Project Finance Lending", June 4, 2003, <http://www.citigroup.com/citigroup/press/2003/030604a.htm>; Rainforest Action Network, Current News, "Collective NGO Analysis of the Equator Principles", http://www.ran.org/news/equator_ngo.html; Jill Treanor, "Banks agree to ethical checks: Campaign groups wary as 10 big lenders promise to consider socioeconomic impact of projects they back", Guardian (London), June 5, 2003]

The following is a short overview of some of the energy projects Citigroup has funded over the years. In many cases Citigroup has funded private companies that are participating in the privatization of energy services

- **Ecuador: OCP Pipeline** – Citigroup guaranteed a \$200 million loan to the Ecuadorian Government for the building of the Oleoducto de Crudos Pesados (OCP) Pipeline in Ecuador. The bank also provided credit for OCP Ltd's consortium member the Argentinean oil company, Perez Companac. In early 2003 construction on parts of the OCP pipeline near the protected Mindo Nambillo cloud forest were suspended by Ecuador's newly elected Environment Minister Edgar Isch after trees, plants and habitats of local species were damaged by construction in breach of the project's license. The Minister demanded that OCP be held to the terms of its license before it can continue with construction. This will threaten to push the completion of the project past the July 2003 deadline guaranteed by Citigroup. If the deadline is not met, OCP Ltd will be forced to pay \$70,000 per day for the first week, increasing to as much as \$2.95 million per day after 85 days. If the OCP consortium abandons the project it will have to pay the Ecuadorian government \$100 million. These costs could dramatically impact Citigroup's bottom line.

The OCP pipeline will be a 550-kilometer pipeline that will carry 450,000 barrels of heavy crude oil daily from reserves in the Ecuadorian rainforest to refineries on the Pacific coast. New oil wells, service roads and flow lines will be built in protected areas. The pipeline will run along the

earthquake-prone Andes increasing the likelihood of oil spills. [Sources: Ilyse Hogue, "The Cost of Living Richly: Citigroup's Global Finance and Threats to the Environment", *Multinational Monitor*, April 2002, Vol. 23, No. 4, <http://www.multinationalmonitor.org/mm2002/02april02corp1.html>; Rainforest Action Network Press Release, "Delay of Pipeline Construction Pits Citigroup Against Pristine Forest", January 30, 2003, <http://www.ran.org/news/newsitem.php?id=622>]

• **Thailand: Ratchaburi Electricity Generating Company** – Citibank is part of the consortium of banks that has financed the Ratchaburi Electricity Generating Company of Thailand. The Ratchaburi plant is tied to the infamous Yadana gas pipeline in Burma, and was built for the purpose of taking all of the gas from this pipeline. Without Ratchaburi, the pipeline could not exist. The construction of the pipeline has negatively impacted the Burmese population and props up the Burmese military regime. Thousands of Burmese villagers were forced to work on the construction of both pipelines and their related infrastructure. Due to forced relocation, people lost their homes and were subjected to rape and torture or were killed by soldiers hired by the contracted companies as security guards for the pipeline. Burma is run by a military regime (the military junta seized power in 1962) which has been accused of gross human rights abuses, including the forcible relocation of civilians and the widespread use of forced labour, which includes children. In 2001, Earth Rights International stated that Citigroup's "Involvement in the Yadana or Ratchaburi project is not a case of so-called constructive engagement. It is support for one of the most violent regimes in the world today. To be involved in the Yadana pipeline is to accept brutal human rights violations as part of doing business. The pipeline is largest foreign investment in Burma and is likely to be the largest source of foreign exchange for decades to come." [Sources: Source: Kenny Bruno, Jim Vallette, "Halliburton's Destructive Engagement" *Earth Rights International*, September 2000, <http://www.earthrights.org/pubs/halliburton.shtml>; Kenny Bruno and Jim Valette, Cheney and Halliburton; *Go Where the Oil Is*", *Multinational Monitor*, Vol. 22, No. 5, May 2001; Ilyse Hogue, "The Cost of Living Richly: Citigroup's Global Finance and Threats to the Environment", *Multinational Monitor*, April 2002, Vol. 23, No. 4, <http://www.multinationalmonitor.org/mm2002/02april02corp1.html>; *Earth Rights International Press Release*, April 17, 2001, <http://www.earthrights.org/ifi/041701citi.shtml>]

• **Papua New Guinea: Gobe Oil Fields** – Citibank arranged a \$98.5 million loan that allowed Chevron and its partners to build Papua New Guinea's Gobe Oil Fields project during the late 1990s. The project drilled wells and built field production facilities and an eight kilometer pipeline through New Guinea's rainforest. The pipeline was built on unstable land increasing the chances for oil spills that could harm many species of birds and the thousands of plant species in the area. Oil began flowing in 1998. In July 2003, ChevronTexaco sold their assets in Papua New Guinea to Australian corporation Oil Search Ltd. Oil Search stated that they would cut the fields' operating and drilling costs, extend their life and continue an exploration and development program. Citigroup's financing of the original project opened the area to exploitation by timber companies who add to problems of soil erosion. [Sources: Ilyse Hogue, "The Cost of Living Richly: Citigroup's Global Finance and Threats to the Environment", *Multinational Monitor*, April 2002, Vol. 23, No. 4, <http://www.multinationalmonitor.org/mm2002/02april02corp1.html>; Reuters, "Oil Search buys ChevronTexaco PNG assets", July 21, 2003, http://biz.yahoo.com/rm/030720/energy_chevron_oilsearch_1.html]

5. Stakeholder Profile

Institutional holdings:

The following is a list of the 10 largest institutional investors in Halliburton

Institutions	Share Holdings	Change in Share Holdings*	Date Reported
STATE STR CORPORATION	255,034,193	12,049,225	3/31/03
FIDELITY MANAGEMENT & RESEARCH	220,008,906	22,098,738	3/31/03
BARCLAYS BANK PLC	210,975,853	1,103,321	3/31/03
AXA FINANCIAL, INC.	144,755,015	-11,422,088	3/31/03
WELLINGTON MANAGEMENT CO, LLP	115,269,562	-854,758	3/31/03
VANGUARD GROUP, INC.	90,521,081	2,228,933	3/31/03
PUTNAM INVESTMENT MGMT, L.L.C.	84,270,013	-2,297,670	3/31/03
MELLON BANK NA	73,911,790	1,585,548	3/31/03
JP MORGAN CHASE & CO	64,930,894	-4,955,321	3/31/03
DEUTSCHE BK AKTIENGESELLSCHAFT	56,306,128	-25,550,089	3/31/03

*Reflects the change in shares since the prior quarter's disclosure of holdings.

Shares are not adjusted for stock splits.

Source: Thomson Financial, Wall Street Journal

Quotations

- Senate Governmental Affairs Committee's Subcommittee Chairman Carl M. Levin (D-Mich.), commenting on Citigroup's involvement with Enron:** "Chase and Citicorp knew what Enron was doing, assisted in the deceptions, and profited from their actions", he continued to say that Enron's use of the prepaids to disguise debt was "an accounting sham" and that the company had "the help and knowing assistance of some of the biggest financial institutions in our country.". [Source: Carrie Johnson, "Senate Panel Says 2 Banks Helped Enron Hide Loans J.P. Morgan, Citigroup Arranged 'Prepays'", Washington Post, Wednesday, July 24, 2002, <http://www.washingtonpost.com/ac2/wp-dyn/A53153-2002Jul23?language=printer>]

- Senator Susan Collins (R-Maine):** "J.P. Morgan Chase and Citigroup are two of the nation's most prestigious financial institutions. That's why I find their involvement so shocking. It appears as though they were willing to risk their reputation to keep an important client, Enron, happy." Carrie Johnson, "Senate Panel Says 2 Banks Helped Enron Hide Loans", Washington Post, July 24, 2002, <http://www.washingtonpost.com/ac2/wp-dyn/A53153-2002Jul23?language=printer>

- Charles O. Prince, Chairman and CEO of Citigroup's Global Corporate and Investment Bank, commenting on Citigroup's July 2003 settlements:** "We are pleased this settlement brings to a close the investigations of Citigroup undertaken by the SEC, OCC, Federal Reserve Bank of New York, and Manhattan District Attorney into these matters, and we appreciate their recognition of our continuing efforts to implement meaningful reforms in our structured finance business. There is no question that transparency in financial transactions and reporting is essential for investors and businesses and for the sound operation of our markets. We are pleased that we have been able to respond promptly and effectively to the problems that underlay this investigation. Put simply, the transactions addressed in these settlements would not happen now at Citigroup. Last August, to make sure that investors are readily able to understand the financial impact of transactions that Citigroup participates in, we announced a new "net effect" rule. Under that rule, Citigroup will execute so-called complex structured finance transactions only with clients that agree to disclose the transaction's net effect on the client's financial position. Since then, we have continued to develop and improve the way in which we review and approve

complex structured finance transactions. Our structured finance initiatives are part of the broader effort Citigroup has undertaken in the past year to be a best practice leader and to help restore the confidence of investors in our markets. We are committed to assuring compliance and continually scrutinizing our practices in order to adhere to the highest standards as our business evolves." [Source: Citigroup Press Release, "Citigroup Statement on Enron Settlements with the SEC, Federal Reserve, OCC, and Manhattan DA", July 28, 2003, <http://www.citigroup.com/citigroup/press/2003/030728a.htm>]

• **Al Giordano, Editor and Publisher of Narco News, an Internet news magazine (<http://www.narconews.com>), commenting on Citigroup's takeover of Banamex, money laundering and Robert Rubin, in an interview with Multinational Monitor:** "Keep in mind that Narco News was not the first source in the United States to accuse Banamex of money laundering. That was done by the U.S. Department of Treasury and other U.S. agencies in what was called Operation Casablanca, in which a sting operation was held against various bankers from various Mexican banks. Two executives from Banamex were charged in criminal court and the Federal Reserve Board seized \$3.8 million from Banamex as a corporation. The leader of that operation was then-Treasury Secretary Robert Rubin with the Clinton Administration. He was considered to be the hard-liner on this investigation. Secretary of State Madeleine Albright wrote a letter of protest to Rubin about not informing Mexican authorities of this operation. So this was all a big public issue before Narco News even touched it. Later, of course, Robert Rubin left Treasury to work for Citigroup. Aside from Sandy Weill, who is the CEO, Rubin is the most important person at the world's largest financial institution. So Rubin was prosecuting Banamex for drug money laundering in 1998, but by 2001 according to Citigroup's own SEC filings, he was negotiating the deal to buy the same bank." [Source: Multinational Monitor Interview with Al Giordano, "Citi: Suing for Silence", April 20, 2002, Vol. 23, No., 4, <http://multinationalmonitor.org/mm2002/o2april/april02interviewgijordano.html>]

• **Charles Prince, chairman and chief executive officer of Citigroup's Global Corporate and Investment bank, commenting on the Equator Principles:** "The adoption of the Equator Principles signifies a major step forward by the financial sector to establish a standardized, common framework to address the environmental and social issues that arise from development projects. We are extremely proud to be part of this voluntary, private-sector initiative and we are confident that we will see more and more banks active in project finance adopt these principles in the coming months." [Source: Citigroup Press Release,

• **Quote from a collective NGO analysis of the Equator Principles:** "A fatal flaw of the EPs is that there is no mechanism for ensuring that endorsing banks actually implement them. The lack of transparency requirements prevents endorsing institutions, peer banks and the public to monitor implementation of the Principles." [Source: Rainforest Action Network, Current News, "Collective NGO Analysis of the Equator Principles", http://www.ran.org/news/equator_ngo.html]

• **Luis Rodríguez Villasuso, Citigroup's Business Manager of Global Retirement Services for Latin America, commenting on Citigroup's acquisition of an Argentinean Retirement Services Company:** "The decision to purchase the remaining equity of Siembra is consistent with Citigroup's strategy to increase its participation in emerging markets pension fund privatization and build its retirement services business". [Source: Citigroup Press Release, "Citigroup to Acquire Grupo Argentaria's Stake in Siembra", February 23, 2000, <http://www.citigroup.com/citigroup/press/2000/000223c.htm>]

[Profile prepared by Richard Girard, Polaris Institute researcher. He can be contacted at richard_girard@hotmail.com]